

Harris County, Texas

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended February 28, 2018

Michael Post, CPA, MBA - County Auditor



Brays Bayou

A Component Unit of Harris County, Texas



Harris County Flood Control District
A Component Unit of Harris County, Texas

Comprehensive Annual Financial Report
For the Fiscal Year Ended
February 28, 2018

Prepared By:
Michael Post, CPA, MBA
County Auditor
1001 Preston, Suite 800
Houston, Texas 77002

I N T R O D U C T O R Y S E C T I O N

**HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED FEBRUARY 28, 2018
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MICHAEL POST, C.P.A., M.B.A.
HARRIS COUNTY AUDITOR

August 22, 2018

Honorable District Judges of Harris County, Honorable Members of the Harris County Commissioners Court, and Citizens of Harris County, Texas

The Harris County Auditor's Office (the "Auditor's Office") is pleased to present the Comprehensive Annual Financial Report (CAFR) of Harris County Flood Control District (the "District"), a component unit of Harris County, Texas (the "County") for the fiscal year ended February 28, 2018. This report is submitted in accordance with Section 114.025 of the Texas Local Government Code and was prepared by the staff of the County Auditor's Office. The CAFR for Harris County Flood Control District, a component unit of the County, includes all disclosures necessary to enable the reader to gain an understanding of the District's financial activities. The information and data contained herein are accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of operations of the District in accordance with generally accepted accounting principles in the United States of America ("GAAP").

The CAFR consists of management's representations concerning the finances of the District, and management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide reasonable basis for making these representations, management of the District has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse, and to compile sufficient reliable information for the preparation of the District's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the District's comprehensive framework of internal controls has been designed to provide reasonable, rather than absolute, assurance that the financial statements are free from material misstatement.

The District's financial statements were audited by Deloitte & Touche LLP, an independent audit firm. The goal of the independent audit was to provide reasonable assurance that the financial statements of the District for fiscal year ended February 28, 2018, are free of material misstatement. The independent auditor concluded based upon the audit that there was a reasonable basis for rendering an unmodified opinion that the District's financial statements are fairly presented in conformity with GAAP in all material respects. The independent auditor's report is presented as the first component of the financial section of this report. Management's discussion and analysis (MD&A), which immediately follows the independent auditor's report, provides a narrative introduction, overview, and analysis of the basic financial statements. The MD&A complements this letter of transmittal and should be read in conjunction with it.

The independent audit of the District's financial statements includes a broader, federally mandated "Single Audit" designed to meet the special needs of federal and state grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the government's internal controls and compliance

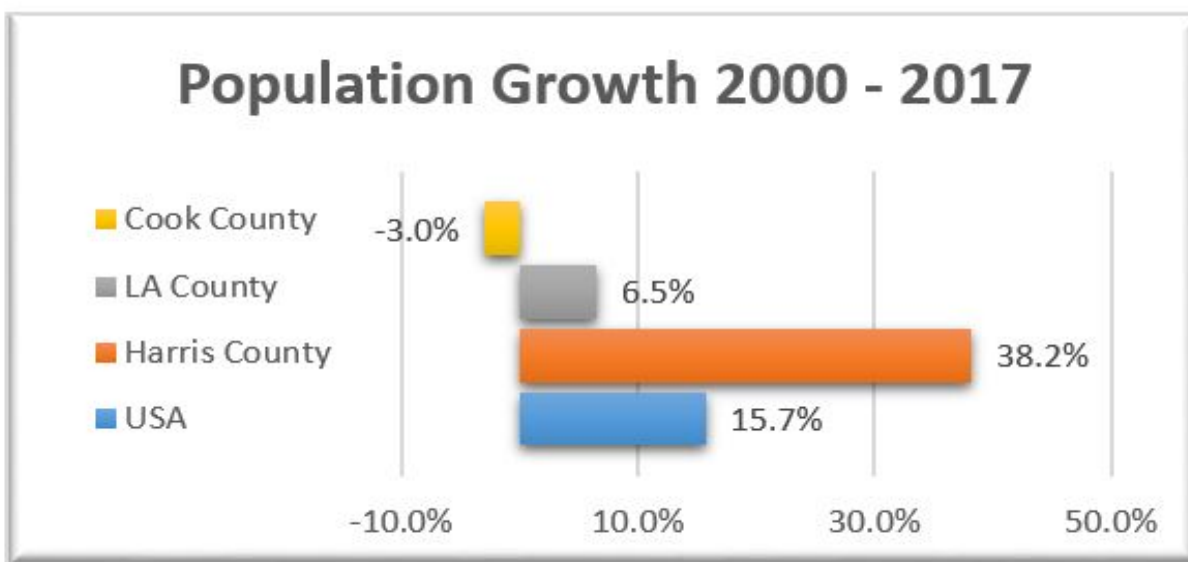
with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal and state awards. These reports are available in the compliance section of this report.

PROFILE OF THE DISTRICT

History, Location, and Population

After experiencing devastating floods in 1929 and 1935, local Harris County leaders petitioned the Texas Legislature for assistance. On April 23, 1937, the Texas Legislature passed a bill creating the Harris County Flood Control District (a special purpose district) and establishing the Harris County Commissioners Court as the District's governing body. Since its creation, the District has successfully partnered with the U.S. Army Corps of Engineers on many projects, and through the years, the District's partnerships and capabilities have expanded significantly and the District's roles and responsibilities have become much more complex.

The District's jurisdictional boundaries are set to coincide with Harris County, and include the City of Houston. The District also operates within the boundaries provided by nature, 22 primary watersheds that are either partially or totally within Harris County. Harris County has a land area greater than 1,700 square miles and is located in the upper Gulf Coast in Southeast Texas approximately 50 miles from the Gulf of Mexico. The County's population has grown to an estimated 4.65 million residents. Harris County continues to be the nation's third largest county in terms of population and one of the fastest growing counties with 38% growth since 2000 and 67% growth since 1990. Over a 17-year period, Harris County's population has grown more than twice as fast as the nation's population.



District Structure and Services

The mission of the Harris County Flood Control District is to provide flood damage reduction projects that work, with appropriate regard for community and natural values. The District accomplishes its mission by devising flood damage reduction plans, implementing the plans, and maintaining the infrastructure. The Flood Control District is headed by an Executive Director, a Chief Engineer, a Director of Operations, and is organized into eight primary divisions to carry out its mission: Construction, Engineering, Planning, Human Resources, Infrastructure, Community Services,

Hydrologic Operations, and Support Services.

Budget Process

In accordance with Chapter 111 of the Texas Local Government Code, the County prepares and adopts an annual operating budget, which serves as a financial plan for the District for the new fiscal year beginning March 1. The County Auditor is responsible for the preparation of the annual estimate of available resources for the County (including the Flood Control District) to be used in the preparation of the annual budget. The County budget (and the Flood Control District budget) may not exceed the available resources of the County funds as determined by the County Auditor. After adoption of the budget by Commissioners Court, the County Auditor is responsible for ensuring the expenditures are made in compliance with budgeted appropriations. The level of budgetary control for the District's General Fund and debt service funds is at the fund level; for other funds, budgetary control is implemented at various levels. Commissioners Court may also adopt supplemental budgets for the limited purposes of spending grant or aid money, for capital projects through the issuance of bonds, for intergovernmental contracts, and for new source revenue not anticipated at budget adoption. Encumbrance accounting is utilized to ensure effective budgetary control and accountability.

INFORMATION USEFUL IN ASSESSING ECONOMIC CONDITION

Local Economy

Economic conditions have a direct impact on the County's revenues and demand for services. Harris County has experienced tremendous growth since the start of the 21st century with an expanding, diversified local economy that has outperformed most of the country. The energy business has played a large part in this growth, along with the relatively low cost of living, affordable housing, and an expanding transportation system.

The Houston region is designated as the Houston-Woodlands-Sugar Land Metropolitan Statistical Area (MSA), and it comprises Harris County and eight other counties. The U.S. Bureau of Economic Analysis estimates metro Houston's Gross Domestic Product (GDP) at approximately \$478.6 billion. If the MSA were an independent nation, its economy would rank 24th largest in the world. Twenty companies on the 2017 Fortune 500 list are headquartered in Houston. No single industry dominates Houston employment.

In August 2017, historic levels of rain fell on Houston, Harris County, and the entire region as a result of Hurricane Harvey and caused major flooding throughout the region. The short-term impact of Harvey is likely to slow the growth of new residential construction in Harris County for 6-12 months since most of the manpower to build new homes are being consumed repairing existing flood damaged homes. Harris County was prepared for the impact of Hurricane Harvey and is well positioned financially to deal with ongoing challenges related to future unexpected events.

Oil prices have slowly climbed over the last fiscal year, with the December 2017 month-end price exceeding \$60 per barrel for the first time since June 2015. The current price of West Texas Intermediate (WTI) crude oil as of March 2018 is approximately \$65 per barrel, which is an increase from March 2017 per the U.S. Energy Information Administration.

The preliminary March 2018 unemployment rate (not seasonally adjusted) for the Houston MSA was 4.6% compared to the national average of 4.1%. The State's preliminary unemployment rate (not seasonally adjusted) for March 2018 was 4.1%. Both the Houston MSA and the State of Texas unemployment rates decreased from their March 2017 levels of 5.7% and 5.0%, respectively.

The Houston-Galveston-Brazoria, Texas area had a Consumer Price Index (CPI) that was 4.5% lower than other large urban areas as calculated for February 2018 by the Bureau of Labor Statistics. The Houston

area's lower CPI is due in part to a lower CPI for housing, fuel, and utilities than other large urban areas.

Houston has one the world's busiest ports and an excellent airport system that are integral components of the regional economy. The Port of Houston is the tenth largest port in the world. The Port of Houston includes the Houston ship channel, which connects the Houston area terminals and the Gulf of Mexico, and is the location of one of the world's largest petrochemical complexes. The Houston Airport System includes three airports and has nonstop flights from Houston to 182 destinations and five continents. The airport system served 54.1 million passengers during 2017, of which 21% were international passengers.

Per the Multiple Listing Service of the Houston Association of Realtors, "the Houston real estate market achieved mixed results for the month of March 2018, with single-family home sales and total property sales down while pricing and total dollar volume were up compared to March 2017. The Houston real estate market experienced its first sales slowdown since Hurricane Harvey last August." Total property sales decreased 2.3%, total active listings decreased 4.6%, and total dollar volume of sales increased .7% during this time-period.

Financial Policies and Long-Term Financial Planning

The County will continue to focus on building a strong balance sheet to maintain both financial stability and current high bond ratings, as well as allocating resources to "be prepared" for floods, hurricanes, or similar unexpected events. The County has sufficient resources to cover current expenditures.

The County is responsible for setting the tax rates for the District. Tax rates are levied for maintenance and operations and debt service requirements relative to General Obligation Bonds. The respective tax rates which were adopted in 2017 for the District per \$100 of taxable value are: \$0.02736 for maintenance and operations and \$0.00095 for debt service, for a total of \$0.02831.

Key elements in maintaining the County's financial strength and high bond rating are the County's management of investments and debt (including the investments and debt of Harris County Flood Control District). The Harris County Investment Policy, including investment strategies, is reviewed and approved at least annually by Commissioners Court. Harris County has a debt structure that includes road, park, permanent improvement, and flood control repaid directly with property taxes. Additional information regarding the County's investment and debt management has been included in Note 2 of the notes to the District's financial statements, Deposits and Investments, and Note 6 of the notes to the District's financial statements, Long-Term Liabilities.

Risk management and self-insurance with stop-loss policies (as applicable) for medical, workers' compensation, and property continue to be effective. Various actuarial studies are periodically performed to aid in liability calculation, as well as financial planning. Additional information regarding the County's health insurance, workers' compensation, and other risk management plans has been included in Note 10 of the notes to the District's financial statements, Risk Management.

The County provides retirement for all of its employees (excluding temporary employees) through the Texas County and District Retirement System (TCDRS). The County's net pension liability at February 28, 2018, was \$404,975,841. The County currently provides a postemployment healthcare plan; the net ending obligation for this postemployment healthcare plan was \$741,054,466 at February 28, 2018. Additional information regarding the County's retirement plan and postemployment healthcare plan is located in Notes 7 and 8 of the notes to the District's financial statements.

Major Initiatives

The District has operated on a \$120 million program for several years split about evenly between capital projects and operating and maintenance expenditures. On August 25, 2017, Hurricane Harvey

made landfall, and a historic number of homes and businesses in Harris County flooded as a result of the rain from Harvey or the rising water flowing through County reservoirs, bayous, and watersheds, as well as the Brazos and San Jacinto Rivers. A special election will be held on August 25, 2018, seeking approval for the District to issue up to \$2.5 billion of bonds to fund capital projects related to Harvey and other projects aimed at reducing the impact of future flood events. Should the new bonds be approved by voters in August, a larger percentage of the \$120 million likely will be dedicated to operating expenses as the District significantly increases its annual project list with substantially more resources available through federal grants and the local bond funding related to Harvey.

If voters approve these bonds, potential projects supported by bond funding include:

- Channel modifications to improve stormwater conveyance
- Regional stormwater detention basins
- Major repairs to flood-damaged drainage infrastructure
- Removing large amounts of sediment and silt from drainage channels
- Voluntary buyouts of flood-prone properties
- Wetland mitigation banks
- Property acquisition for preserving the natural floodplains
- Drainage improvements made in partnership with other cities, utility districts, or other local government agencies
- Upgrading the Harris County Flood Warning System

AWARDS AND ACKNOWLEDGMENTS

The Government Finance Officers Association of the United States and Canada (“GFOA”) awarded a Certificate of Achievement for Excellence in Financial Reporting to the District for its Comprehensive Annual Financial Report (“CAFR”) for the fiscal year ended February 28, 2017. The Certificate of Achievement is a prestigious national award, recognizing conformance with the highest standards for preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. This report must satisfy both accounting principles generally accepted in the United States and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. The District has received a Certificate of Achievement for the last eight years. We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it for review to the GFOA.

The timely completion of this report could not have been achieved without the dedicated efforts of the Auditor’s Office and the professional services provided by our independent auditor, Deloitte & Touche LLP. I wish to express my gratitude to the Commissioners Court, District Judges, and other County officials and departments for their interest and support in planning and conducting the financial affairs of the District in a responsible and professional manner.

REQUEST FOR INFORMATION

This financial report is designed to provide an overview of the District's finances for individuals who are interested in this information. Questions concerning any of the data provided in this report should be addressed to the County Auditor's Office, 1001 Preston, Suite 800, Houston, Texas 77002. Additional financial information is provided on the County Auditor's webpage, which can be accessed from the County's website, www.co.harris.tx.us.

A handwritten signature in black ink, appearing to read "Michael Post", with a stylized flourish at the end.

Michael Post, CPA, MBA
County Auditor



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**Harris County Flood Control District
Texas**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

February 28, 2017

Christopher P. Morrell

Executive Director/CEO

**HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
SCHEDULE OF BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
For The Year Ended February 28, 2018**

Complete District Mailing Address: HCFCD 9900 NW Fwy Houston, Texas 77092

District Business Telephone Number: (713) 684-4000

Names and Addresses:	Term of Office (Elected or Appointed) or Date Hired	Fees Feb 28, 2018	Expense Reimbursements Feb 28, 2018	Title at Year End	Resident of District
Commissioners Court acts as Board of Director for District					
Judge Ed Emmett 1001 Preston, Suite 911 Houston Texas 77002	(Elected) 01/15- 12/18	N/A	N/A	County Judge	Yes
Rodney Ellis 1001 Preston, 9th Fl Houston Texas 77002	(Elected) 01/17-12/20	N/A	N/A	Commissioner	Yes
Jack Morman 1001 Preston, 9th Fl Houston Texas 77002	(Elected) 01/15 - 12/18	N/A	N/A	Commissioner	Yes
Steve Radack 1001 Preston, 9th Fl Houston Texas 77002	(Elected) 01/17 - 12/20	N/A	N/A	Commissioner	Yes
R. Jack Cagle 1001 Preston, 9th Fl Houston Texas 77002	(Elected) 01/15 - 12/18	N/A	N/A	Commissioner	Yes
Key Personnel:					
Russ Poppe 9900 NW Fwy Houston, Texas 77092	(Appointed) 09/01/16	N/A	N/A	Executive Director/ HC Flood Control District Employee	Yes

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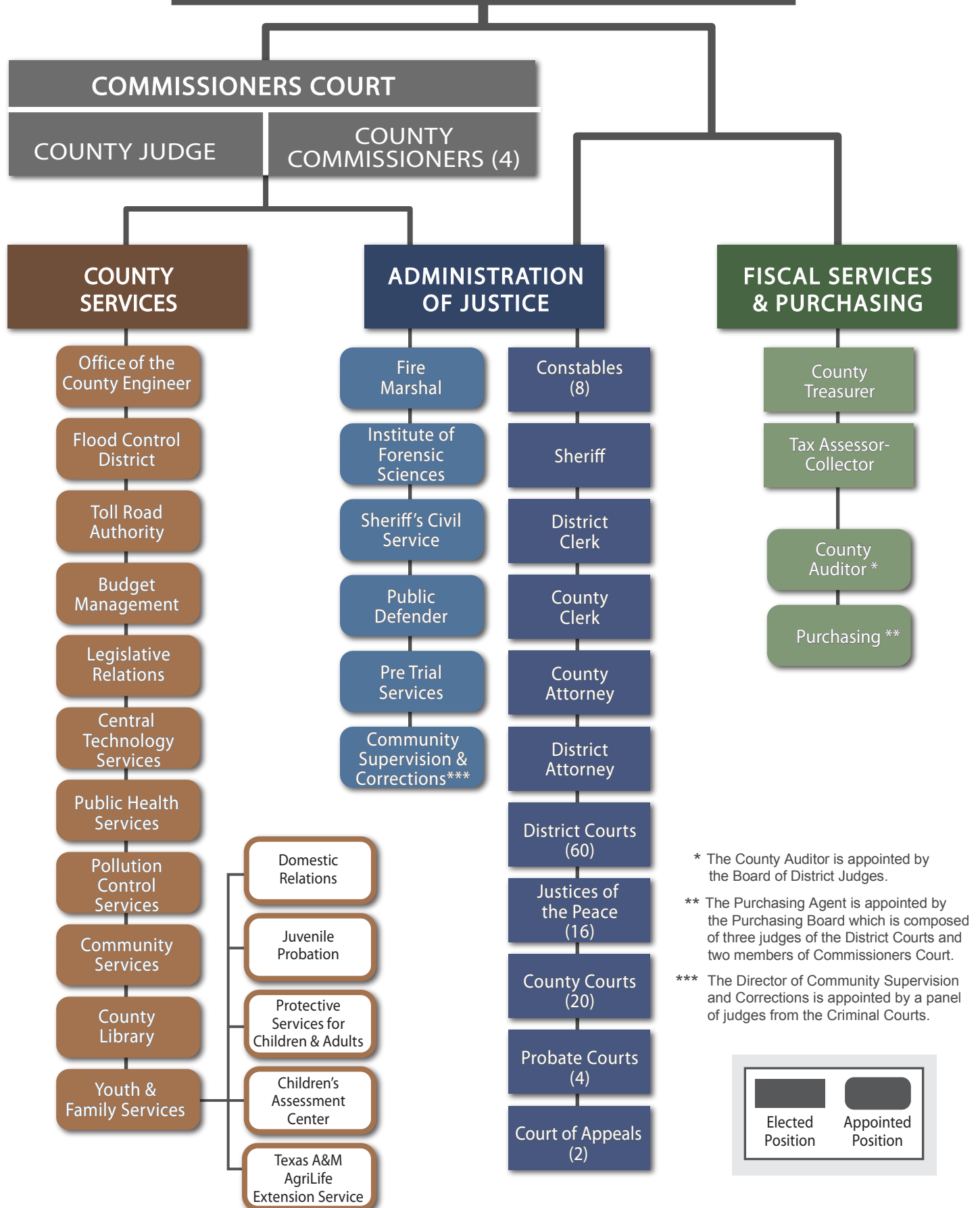
HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
SCHEDULE OF BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
For The Year Ended February 28, 2018

Names and Addresses:	Term of Office (Elected or Appointed) or Date Hired	Fees Feb 28, 2018	Expense Reimbursements Feb 28, 2018	Title at Year End	Resident of District
Vince Ryan 1019 Congress 15th Fl Houston Texas 77002	(Elected) 01/17 - 12/20	N/A	N/A	County Attorney	Yes
Ann Harris Bennett 1001 Preston, 1st Fl Houston Texas 77002	(Elected) 01/17-12/18	N/A	N/A	Tax Assessor-Collector and Voter Registrar	Yes
William J. Jackson 1001 Preston, Rm 500 Houston, Texas 77002	(Appointed) 03/13/12	N/A	N/A	Executive Director of Budget Management County Employee	Yes
County Auditor					
Michael Post 1001 Preston, 8th Fl Houston Texas 77002	(Appointed) 2/27/17	N/A	N/A	County Auditor	Yes
Independent Auditor					
Deloitte & Touche LLP 1111 Bagby, Suite 4500 Houston, Texas 77002	*	\$71,280	N/A	Independent Auditor	N/A

* Agreement between the Flood Control District and Deloitte & Touche LLP, for fiscal year 2017/2018 audit services.

HARRIS COUNTY ORGANIZATION CHART

HARRIS COUNTY VOTERS



F I N A N C I A L S E C T I O N

INDEPENDENT AUDITORS' REPORT

County Judge Ed Emmett
and Members of Commissioners Court of Harris County, Texas:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Harris County Flood Control District (the "District"), a component unit of Harris County, Texas, as of and for the year ended February 28, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of February 28, 2018, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 14-23, Schedule of Revenues and Expenditures - Budget and Actual Budgetary Basis – Operations and Maintenance (General) Fund, Notes to the Required Supplementary Information, and the Other Postemployment Benefits– Schedule of Funding Progress, the Schedule of Changes in Net Pension Liability and Related Ratios, and Texas County and District Retirement System– Schedule of Employer Contributions on pages 60-65 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Other Supplementary Information and Individual Fund Statements; Schedule of Expenditures of Federal and State Awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) and the State of Texas *Uniform Grant Management Standards*; and the Introductory and Statistical Sections are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Other Supplementary Information and Individual Fund Statements and the Schedule of Expenditures of Federal and State Awards, is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Other Supplementary Information and Individual Fund Statements and the Schedule of Expenditures of Federal and State Awards, are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Introductory and Statistical Sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 22, 2018 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Deloitte's Touche LLP

August 22, 2018

***Harris County Flood Control District
Management's Discussion and Analysis
(Unaudited)***

This section of the Harris County Flood Control District's (the "District") financial statements presents management's discussion and analysis ("MD&A") of the financial activities of the District during the fiscal year ended February 28, 2018. Please read it in conjunction with the District's basic financial statements following this section.

The District is a component unit of Harris County, Texas (the "County") and is included as a blended component unit in the County's financial statements. This analysis presents information about the District and the operations and activities of the District only and is not intended to provide information about the entire County.

FINANCIAL HIGHLIGHTS

Government-wide

- The total government-wide assets of the District exceeded the liabilities (net position) at February 28, 2018 by \$1,967,534,910, an increase of \$48,466,284 from the previous year when assets exceeded liabilities by \$1,919,068,626.
- Total net position is comprised of the following:
 - (1) Net investment in capital assets, of \$1,926,899,436 include land, improvements, construction in progress and equipment, net of accumulated depreciation, and reduced for outstanding debt related to the purchase or construction of capital assets.
 - (2) Net position of \$23,835,092 is restricted by constraints imposed from outside the District such as capital projects.
 - (3) Unrestricted net position of \$16,800,382 represent the portion available to meet ongoing obligations to citizens and creditors.

Fund Level

- As of February 28, 2018, the District's governmental funds reported combined fund balances of \$254,303,855. This compares to the prior year combined fund balance of \$289,383,522 showing a decrease of \$35,079,667 during the current year. The current year total consists of combined nonspendable fund balance of \$4,502,398, restricted fund balance of \$193,149,363, assigned fund balance of \$12,058,508, and unassigned fund balance of \$44,593,586.
- At the end of the fiscal year, the total fund balance for the Operations and Maintenance (General) fund was \$57,143,812. The General fund had a nonspendable fund balance of \$485,794, restricted fund balance of \$5,924, assigned fund balance of \$12,058,508, and unassigned of \$44,593,586.
- The fund balance in the Debt Service fund of \$4,265,731 was restricted at the end of the fiscal year. This represents an increase of \$124,532 from the prior year balance of \$4,141,199.
- The Capital Projects fund at fiscal year-end had a nonspendable fund balance of \$4,016,604 and a restricted fund balance of \$188,877,708 for a total Capital Projects fund balance of \$192,894,312 a decrease from \$219,817,356 in the prior year.
- The District issues debt to finance an ongoing capital improvement program, and during fiscal year 2018 issued \$168,100,000 in refunding bonds. Note 6 to the financial statements, provides additional

***Harris County Flood Control District
Management's Discussion and Analysis
(Unaudited)***

details related to long-term debt. The debt service ad-valorem tax rate for the 2017 tax year for the District totaled \$0.00095 per \$100 valuation.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements, which are comprised of three components: 1) Government-wide financial statements; 2) Fund financial statements; and 3) Notes to the basic financial statements. Required Supplementary Information and Other Supplementary Information are included in addition to the basic financial statements.

Government-wide Financial Statements are designed to provide readers with a broad overview of District finances, in a manner similar to a private-sector business.

The statement of net position presents information on all District assets plus deferred outflows of resources and liabilities plus deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. However, other non-financial factors should also be considered to assess the overall fiscal health of the District.

The statement of activities presents information showing how net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods.

Typically, both of these government-wide financial statements would distinguish functions of the reporting entity principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or in part a portion of their costs through user fees and charges (business-type activities). The District, however, has and reports only governmental activities.

Fund Financial Statements are groupings of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate finance-related legal compliance. Funds can be divided into three categories: governmental funds, proprietary funds and fiduciary funds. The District has four governmental funds and two fiduciary funds.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental funds financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the District's near-term financing requirements.

Because the focus of governmental funds is narrower than of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

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Management's Discussion and Analysis
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The District maintains four individual governmental funds. As all of these funds are considered major funds, information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures and changes in fund balances for each of the funds – Operations and Maintenance (General), Special Revenue Grants, Debt Service, and Capital Projects.

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs. The District uses two agency funds to report resources held by the District in a purely custodial capacity (assets and liabilities) and therefore do not involve the measurement of results of operations.

Notes to the Basic Financial Statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes can be found beginning on page 31 of this report.

Required Supplementary Information is presented concerning the District's Operations and Maintenance (General) Fund budgetary schedule. The District adopts an annual budget for this fund. A budgetary comparison schedule, which includes the original and final amended budgets and actual figures, has been provided to demonstrate compliance with these budgets. Also presented in this section are the Schedule of Funding Progress for Other Postemployment Benefits, the Schedule of Changes in Net Pension Liability and Related Ratios, and the Schedule of Employer Contributions for Texas County and District Retirement System. Required supplementary information can be found beginning on page 60 of this report.

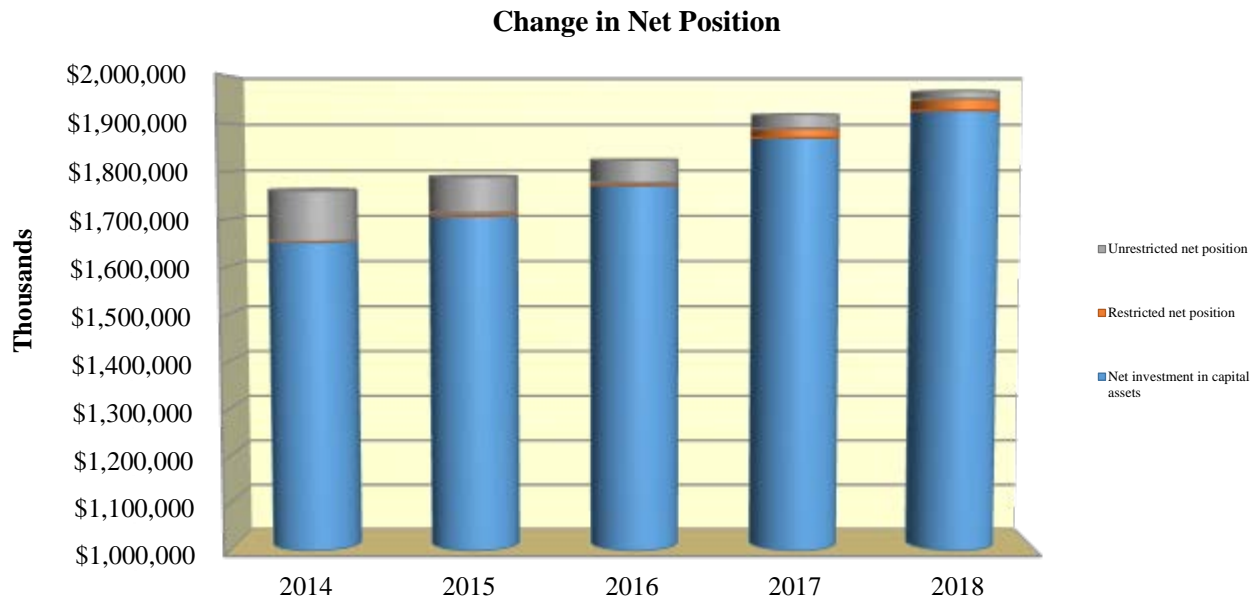
GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$1,967,534,910 for fiscal year ended 2018 and \$1,919,068,626 for fiscal year ended 2017. Revenues exceeded expenses during the current year, increasing net position by \$48,466,284.

**Condensed Statement of Net Position
(amounts in thousands)**

	Governmental Activities	
	February 28, 2018	February 28, 2017
Current and other assets	\$ 288,967	\$ 319,792
Capital assets	2,332,822	2,271,958
Total assets	2,621,789	2,591,750
Deferred outflows of resources	17,680	24,241
Current and other liabilities	36,727	31,317
Long-term liabilities	633,199	665,036
Total liabilities	669,926	696,353
Deferred inflows of resources	2,008	569
Net position:		
Net investment in capital assets	1,926,900	1,870,607
Restricted	23,835	19,088
Unrestricted	16,800	29,374
Total net position	\$ 1,967,535	\$ 1,919,069

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The largest portion of the District's current fiscal year net position, \$1,926,899,436 reflects its investments in capital assets (e.g. land, improvements, buildings, equipment, and infrastructure), less any related debt used to acquire those assets that is still outstanding. The main use of these capital assets is to provide services to citizens; consequently, these assets are not available for future spending. Although the District's net investment in its capital assets is reported net of related debt, it should be noted that resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The increase in the District's net position-net investment in capital assets is \$56,292,536.

The District's current fiscal year net position includes resources that are subject to external restrictions on how they may be used. Restricted net position totaled \$23,835,092 for capital projects. Restricted net position reflect an overall increase of \$4,747,310.

The remaining balance of the District's current fiscal year net position, \$16,800,382 represents unrestricted net position, which may be used by the District for current and future needs.

At the end of the current fiscal year, the District reported positive balances in all three categories of net position for its separate governmental activities.

***Harris County Flood Control District
Management's Discussion and Analysis
(Unaudited)***

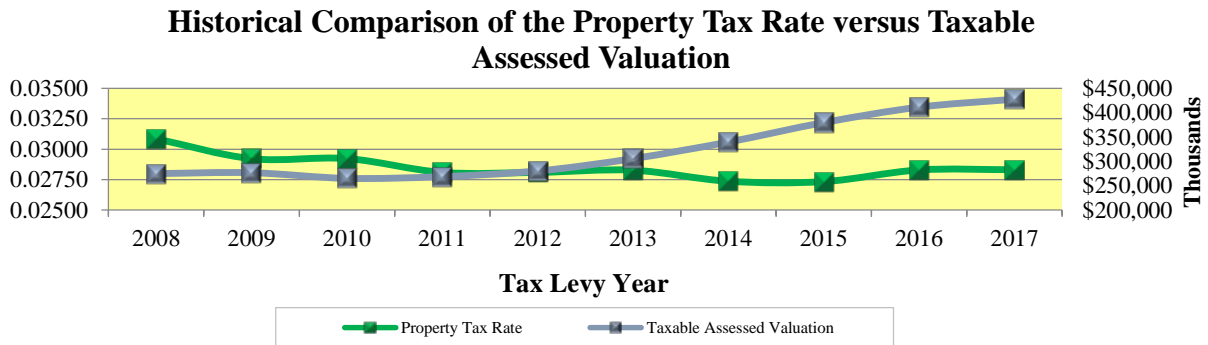
The following table indicates changes in net position for governmental activities:

Condensed Statement of Activities (amounts in thousands)		
	Governmental Activities	
	For the Year Ended February 28, 2018	For the Year Ended February 28, 2017
Revenues:		
Program revenues:		
Charges for services	\$ 5,226	\$ 687
Operating grants and contributions	50,288	50,061
Capital grants and contributions	27,146	49,106
General revenues:		
Property taxes	115,352	114,277
Earnings on investments	2,133	1,818
Miscellaneous	2,861	10,403
Total revenues and other items	<u>203,006</u>	<u>226,352</u>
Expenses:		
Flood control	128,415	104,871
Tax administration	646	596
Interest on long-term debt	25,479	26,549
Total expenses and other items	<u>154,540</u>	<u>132,016</u>
Change in net position	<u>48,466</u>	<u>94,336</u>
Net position - beginning	<u>1,919,069</u>	<u>1,824,733</u>
Net position - ending	<u>\$ 1,967,535</u>	<u>\$ 1,919,069</u>

Revenues

For fiscal year ended February 28, 2018, revenues from governmental activities totaled \$203,006,427.

Property taxes of \$115,352,105 were the District's largest revenue source and comprised 57% of total revenues. The tax rate was \$.02831 per \$100 of assessed value for fiscal year 2018, increasing from \$.02829 per \$100 of assessed value for fiscal year 2017. The taxable assessed value increased in fiscal year 2018 to \$427,612,922,000 from \$411,244,560,000 in fiscal year 2017.

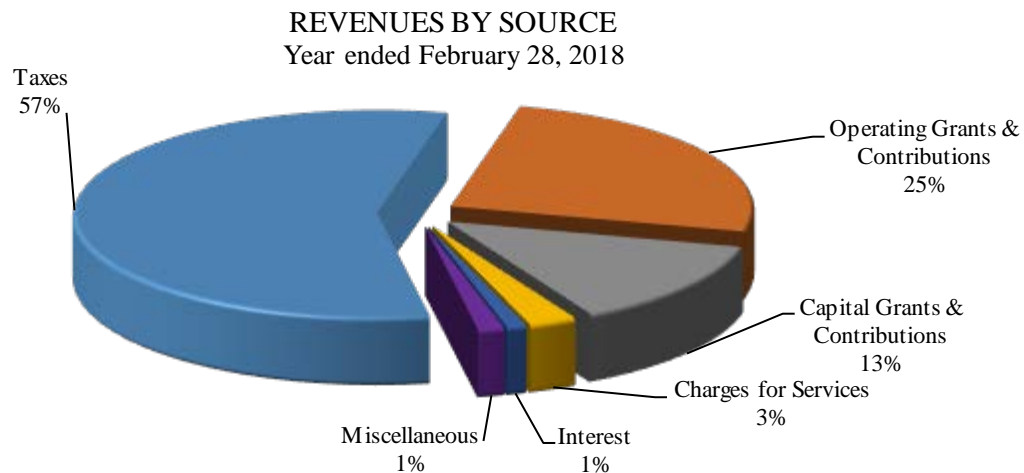


Program revenues are derived from the program itself and reduce the cost of the function to the District. Total program revenues were \$82,660,541 or 41% of total revenues. A major portion of program

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revenues are capital grants and contributions of \$27,146,305 (13%) and represent receipts/contributions primarily from the Army Corps of Engineers (Corps). This category is primarily due to contributions from the Corps for work done on the Brays Bayou and other projects. A major portion of program revenues also consists of operating grants and contributions of \$50,288,403 (25%), associated with contributions by Harris County, which increased \$227,786 from the prior year. Another portion of program revenues is charges for services of \$5,225,833 or 3% of total revenues, which are primarily from impact fees on development.

General revenues are revenues that cannot be assigned to a specific function. They consist of property taxes (discussed previously), unrestricted investment or interest earnings of \$2,132,920 (1% of total revenues) and miscellaneous income of \$2,860,861 (1% of total revenues). Miscellaneous income is primarily comprised of collections for various fees.

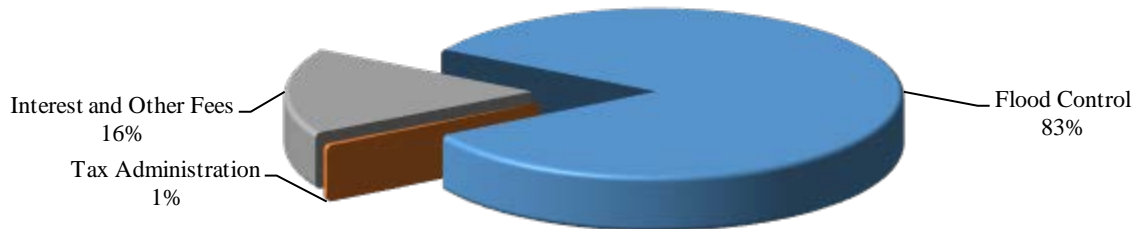


Expenses

For fiscal year ended February 28, 2018, expenses for governmental activities totaled \$154,540,143, compared to \$132,016,267 in the prior fiscal year. Flood control administration of \$128,414,533 is the District's largest function with 83% of total expenses. This was an increase of \$23,544,053 from the prior year due to regular operations of the District. Interest and other fees make up the second largest category of expenses with \$25,479,425 or 16% of the total, which is interest on long term debt. Tax administration, which represents the cost to collect taxes assessed on behalf of the District by the Harris County Tax Assessor is \$646,185 (1% of total expenses) and has increased from \$596,468 last year.

***Harris County Flood Control District
Management's Discussion and Analysis
(Unaudited)***

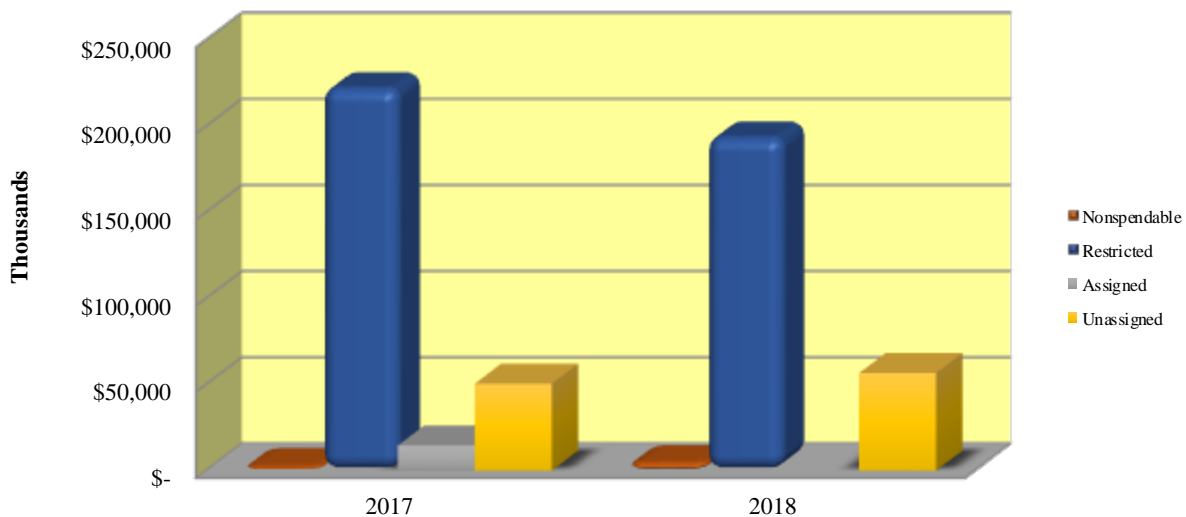
EXPENSES BY FUNCTION
Year ended February 28, 2018



FINANCIAL ANALYSIS OF MAJOR FUNDS

Governmental Funds. The District's major general government functions are contained in the Operations and Maintenance (General) fund. The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

Governmental Fund Balances



At February 28, 2018, the District's governmental funds reported combined fund balances of \$254,303,855, of which \$4,502,398 is nonspendable, \$4,271,655 is restricted for debt service, and \$188,877,708 is restricted for capital projects, and \$12,058,508 is assigned for encumbrances and petty cash. The remainder, \$44,593,586 is available to meet the District's current and future needs. The District's combined fund balances decreased \$35,079,667 from last year. The reasons for this change are explained below by individual fund.

***Harris County Flood Control District
Management's Discussion and Analysis
(Unaudited)***

The Operating and Maintenance (General) fund is the operating fund of the District. Fund balance in the General Fund decreased by \$8,281,155 from last year. This was a result of normal operations of the District and a \$60 million transfer to the Capital Projects Fund.

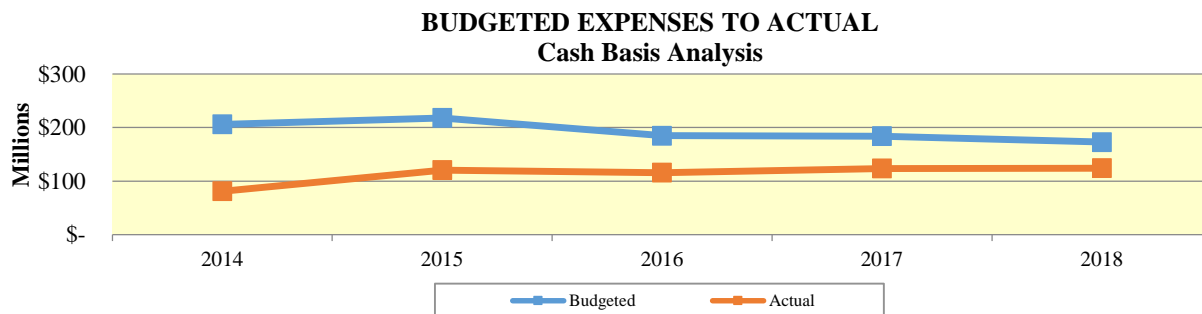
The Special Revenue Grants fund accounts for grants that have been awarded in the District's name. There is no fund balance in grant funds. However, the overall grant activity for the current fiscal year resulted in a \$4,817,328 increase in assets and liabilities over the previous fiscal year.

Fund balance in the Debt Service fund increased marginally by \$124,532. At February 28, 2018, this fund reported revenues of \$54,339,292. The majority of these revenues were from intergovernmental sources.

The fund balance in the Capital Projects fund decreased by \$26,923,044 primarily due to normal operations. The Capital Projects fund relies primarily on the issuance of bonds and commercial paper to support current and future projects. The funding for projects was provided through bond issues, commercial paper and joint funded projects with outside agencies. See Note 6 to the financial statements for further discussion of long term debt.

OPERATING AND MAINTENANCE (GENERAL) FUND BUDGETARY HIGHLIGHTS

During the year, actual revenues were more than budgetary estimates by \$11,205,424. This is attributable to a higher cash and investment balance at the beginning of the year and greater tax collections during the year than anticipated. Actual expenditures were less than budgetary estimates by \$48,606,654. This is primarily due to fewer expenditures than anticipated in the general operating flood control account. The net effect of over-realization of revenues and over-realization of appropriations resulted in a positive variance of \$59,812,078, thus eliminating the need to draw upon the existing fund balance on a cash basis.



CAPITAL ASSETS

The District's capital assets, net of accumulated depreciation for its governmental activities as of February 28, 2018, amounted to \$2,332,822,085. These capital assets include land, improvements, buildings, flood control infrastructure, equipment, and construction in progress, as shown in the following table. For further information regarding capital assets, see Note 5 to the financial statements.

***Harris County Flood Control District
Management's Discussion and Analysis
(Unaudited)***

	Balance February 28, 2018	Balance February 28, 2017
Governmental Activities:		
Land	\$ 1,649,735,796	\$ 1,630,189,648
Construction in Progress	153,230,802	86,918,514
Intangible Assets - water rights	2,400,000	2,400,000
Land Improvements	641,531	641,531
Buildings	12,158,223	12,158,223
Equipment	12,132,213	12,002,500
Flood Control Projects	962,719,711	954,420,777
	<u>2,793,018,276</u>	<u>2,698,731,193</u>
Less Accumulated Depreciation	(460,196,191)	(426,773,691)
Totals	<u><u>\$ 2,332,822,085</u></u>	<u><u>\$ 2,271,957,502</u></u>

LONG-TERM LIABILITIES

At February 28, 2018, the District had total long-term liabilities outstanding of \$633,199,228. Refer to Note 6 to the financial statements for further information on the District's long term liabilities. District officials, citizens, and investors will find the ratio of net bonded debt to assessed valuation (.14%) and the amount of bonded debt per capita (\$131,000) as useful indicators of the District's debt position; this information is shown in the statistical section of this report.

	Balance February 28, 2018	Balance February 28, 2017
Governmental Activities:		
Bonds Payable	\$ 609,103,468	\$ 635,443,487
Compensatory Time Payable	443,205	442,198
OPEB Obligations	15,172,995	13,646,397
Net Pension Liability	8,119,751	15,131,730
Pollution Remediation Obligations	359,809	372,532
Totals	<u><u>\$ 633,199,228</u></u>	<u><u>\$ 665,036,344</u></u>

See Note 7 and Note 8 to the financial statements for further information on the County's OPEB obligation and Net Pension Liability.

ECONOMIC FACTORS

The unemployment rate for Harris County for calendar year 2017 was 5.0%. This is a decrease from the prior year rate of 5.3%. The state unemployment rate for calendar year 2017 was 4.3%. The number of people employed with the District decreased by 3 to 290 during the year.

***Harris County Flood Control District
Management's Discussion and Analysis
(Unaudited)***

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the County Auditor's Office, 1001 Preston, Suite 800, Houston, Texas 77002, or visit the County's website at www.co.harris.tx.us.

BASIC FINANCIAL STATEMENTS

HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
STATEMENT OF NET POSITION
February 28, 2018

	Governmental Activities
ASSETS	
Cash and investments:	
Cash and cash equivalents	\$ 80,111,811
Investments	173,539,926
Receivables:	
Taxes, net	4,333,952
Accounts, net	8,666,788
Accrued interest	230,559
Other	12,244,667
Prepays and other assets	5,712,494
Restricted cash and cash equivalents	4,127,145
Capital assets:	
Land and construction in progress	1,802,966,598
Intangible assets	2,400,000
Other capital assets, net of depreciation	527,455,487
Total assets	<u>2,621,789,427</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred charge on refundings	16,574,621
Pension contributions after measurement date	435,819
Changes in pension assumptions	669,574
Total deferred outflows of resources	<u>17,680,014</u>
LIABILITIES	
Vouchers payable	19,063,664
Accrued payroll	1,981,879
Retainage payable	5,298,722
Due to other units	13,136
Unearned revenue	781,703
Accrued interest	9,588,324
Long-term liabilities:	
Due within one year:	
Bonds payable	27,650,000
Compensated absences	323,540
Pollution remediation obligation	1,568
Due in more than one year:	
Bonds payable	581,453,468
Compensated absences	119,665
OPEB obligation	15,172,995
Net pension liability	8,119,751
Pollution remediation obligation	358,241
Total liabilities	<u>669,926,656</u>
DEFERRED INFLOWS OF RESOURCES	
Difference in projected and actual earnings on pension assets	2,007,875
Total deferred inflows of resources	<u>2,007,875</u>
NET POSITION	
Net investment in capital assets	1,926,899,436
Restricted for capital projects	23,835,092
Unrestricted	16,800,382
Total net position	<u>\$ 1,967,534,910</u>

See notes to the financial statements.

**HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
STATEMENT OF ACTIVITIES
For The Year Ended February 28, 2018**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental activities:					
Flood control administration	\$ 128,414,533	\$ 5,225,833	\$ 50,288,403	\$ 27,146,305	\$ (45,753,992)
Tax administration	646,185	-	-	-	(646,185)
Interest on long-term debt	25,479,425	-	-	-	(25,479,425)
Total governmental activities	<u>\$ 154,540,143</u>	<u>\$ 5,225,833</u>	<u>\$ 50,288,403</u>	<u>\$ 27,146,305</u>	<u>(71,879,602)</u>
General revenues:					
Taxes:					
Property taxes levied for general purposes					111,390,651
Property taxes levied for debt service					3,961,454
Earnings on investments					2,132,920
Miscellaneous					2,860,861
Total general revenues and other items					<u>120,345,886</u>
Change in net position					48,466,284
Net position - beginning					1,919,068,626
Net position - ending					<u>\$ 1,967,534,910</u>

See notes to the financial statements.

HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
February 28, 2018

	Operations and Maintenance (General)	Special Revenue Grants	Debt Service	Capital Projects	Total 2018
ASSETS					
Cash and investments:					
Cash and cash equivalents	\$ 13,266,296	\$ -	\$ -	\$ 66,845,515	\$ 80,111,811
Investments	35,844,970	-	-	137,694,956	173,539,926
Receivables:					
Taxes, net	4,100,992	-	232,960	-	4,333,952
Accounts, net	2,903	1,663,885	-	7,000,000	8,666,788
Accrued interest	47,622	-	-	182,937	230,559
Other	38,008	12,205,427	1,232	-	12,244,667
Due from other funds	11,063,312	2,031	2,151	-	11,067,494
Prepays and other assets	485,794	1,210,096	-	4,016,604	5,712,494
Restricted cash and cash equivalents	5,924	-	4,121,221	-	4,127,145
Total assets	<u>\$ 64,855,821</u>	<u>\$ 15,081,439</u>	<u>\$ 4,357,564</u>	<u>\$ 215,740,012</u>	<u>\$ 300,034,836</u>
LIABILITIES					
Vouchers payable	\$ 4,788,519	\$ 1,641,162	\$ -	\$ 12,635,551	\$ 19,065,232
Accrued payroll	1,981,879	-	-	-	1,981,879
Retainage payable	497,493	2,376,965	-	2,424,264	5,298,722
Due to other funds	-	11,063,312	-	4,182	11,067,494
Due to other units	13,136	-	-	-	13,136
Unearned revenue	-	-	-	781,703	781,703
Total liabilities	<u>7,281,027</u>	<u>15,081,439</u>	<u>-</u>	<u>15,845,700</u>	<u>38,208,166</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue-property taxes	428,079	-	91,833	-	519,912
Unavailable revenue-other	2,903	-	-	7,000,000	7,002,903
Total deferred inflows of resources	<u>430,982</u>	<u>-</u>	<u>91,833</u>	<u>7,000,000</u>	<u>7,522,815</u>
FUND BALANCES					
Nonspendable	485,794	-	-	4,016,604	4,502,398
Restricted	5,924	-	4,265,731	188,877,708	193,149,363
Assigned	12,058,508	-	-	-	12,058,508
Unassigned	44,593,586	-	-	-	44,593,586
Total fund balances	<u>57,143,812</u>	<u>-</u>	<u>4,265,731</u>	<u>192,894,312</u>	<u>254,303,855</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 64,855,821</u>	<u>\$ 15,081,439</u>	<u>\$ 4,357,564</u>	<u>\$ 215,740,012</u>	<u>\$ 300,034,836</u>

See notes to the financial statements.

HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
February 28, 2018

Total fund balances for governmental funds	\$	254,303,855
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Total net position reported for governmental activities in the statement of net position is different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. Those assets consist of:

Land	\$	1,649,735,796	
Construction in progress		153,230,802	
Intangible assets - water rights		2,400,000	
Land improvements, net of \$352,533 accumulated depreciation		288,998	
Flood control projects, net of \$445,896,667 accumulated depreciation		516,823,044	
Buildings, net of \$4,183,511 accumulated depreciation		7,974,712	
Equipment and vehicles, net of \$9,763,480 accumulated depreciation		2,368,733	
Total capital assets			2,332,822,085

Long-term liabilities applicable to the District's activities are not due and payable in the current period and accordingly are not reported as fund liabilities.

Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities - both current and long-term - and deferred outflows and deferred inflows are reported in the statement of net position.

Balances as of February 28, 2018 were:

Deferred charge on refundings		16,574,621	
Deferred outflow - Pension contributions after measurement date		435,819	
Deferred outflow - Changes in pension assumptions		669,574	
Accrued interest on bonds		(9,588,324)	
Bonds payable		(609,103,468)	
Compensated absences		(443,205)	
OPEB obligation		(15,172,995)	
Net pension liability		(8,119,751)	
Pollution remediation obligation		(358,241)	
Deferred inflow - Difference in actual and projected earnings on pension assets		(2,007,875)	
Deferred inflow - Difference in expected and actual pension experience		-	
			(627,113,845)

Some of the District's assets are not available to pay for the current period's expenditures and, therefore, are reported as unavailable revenue in the funds.

		7,522,815
Total net position of governmental activities	\$	1,967,534,910

See notes to the financial statements.

HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For The Year Ended February 28, 2018

	Operations and Maintenance (General)	Special Revenue Grants	Debt Service	Capital Projects	Total 2018
REVENUES					
Taxes	\$ 113,690,784	\$ -	\$ 4,019,916	\$ -	\$ 117,710,700
Intergovernmental	8,400	23,042,203	50,297,000	4,953,124	78,300,727
Lease revenue	113,211	-	-	-	113,211
Earnings on investments	386,927	-	17,533	1,728,460	2,132,920
Miscellaneous	471,168	-	4,843	7,497,472	7,973,483
Total revenues	<u>114,670,490</u>	<u>23,042,203</u>	<u>54,339,292</u>	<u>14,179,056</u>	<u>206,231,041</u>
EXPENDITURES					
Current operating:					
Flood control administration	64,354,476	5,088,750	-	22,670,573	92,113,799
Tax administration	646,185	-	-	-	646,185
Capital outlay	189,915	24,253,707	-	70,039,603	94,483,225
Debt service:					
Principal retirement	-	-	25,955,000	-	25,955,000
Bond issuance fees	594,447	-	631,377	-	1,225,824
Interest and fiscal charges	-	-	28,299,777	-	28,299,777
Total expenditures	<u>65,785,023</u>	<u>29,342,457</u>	<u>54,886,154</u>	<u>92,710,176</u>	<u>242,723,810</u>
Excess (deficiency) of revenues over (under) expenditures	<u>48,885,467</u>	<u>(6,300,254)</u>	<u>(546,862)</u>	<u>(78,531,120)</u>	<u>(36,492,769)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	2,805,796	8,631,041	36,764	60,000,420	71,474,021
Transfers out	(60,000,000)	(2,330,787)	(475,429)	(8,667,805)	(71,474,021)
Refunding bonds issued	-	-	168,100,000	-	168,100,000
Premium on refunding bonds issued	-	-	28,924,330	-	28,924,330
Payment to escrow agent	-	-	(195,914,271)	-	(195,914,271)
Sale of capital assets	27,582	-	-	275,461	303,043
Total other financing sources (uses)	<u>(57,166,622)</u>	<u>6,300,254</u>	<u>671,394</u>	<u>51,608,076</u>	<u>1,413,102</u>
Net changes in fund balances	(8,281,155)	-	124,532	(26,923,044)	(35,079,667)
Fund balances, beginning	65,424,967	-	4,141,199	219,817,356	289,383,522
Fund balances, ending	<u>\$ 57,143,812</u>	<u>\$ -</u>	<u>\$ 4,265,731</u>	<u>\$ 192,894,312</u>	<u>\$ 254,303,855</u>

See notes to the financial statements.

**HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For The Year Ended February 28, 2018**

Net change in fund balances - total governmental funds	\$	(35,079,667)
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay of \$94,483,225 exceeded depreciation of \$33,422,500 in the current period.

		61,060,725
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Capital asset donations		129,407
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In the statement of net position, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position.

Debt issued:		
Bonds	\$ (168,100,000)	
Premium on refunding bonds	(28,924,330)	
Debt Repayments:		
To paying agent for bond principal	25,955,000	
To refunding bond escrow agent	195,914,271	
Refunding interest expense	<u>(1,637,212)</u>	
Net adjustment		23,207,729

Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is not recognized under the modified accrual basis of accounting until due, rather as it accrues. This adjustment combines the net changes of 7 balances.

Compensated absences	(1,007)	
OPEB obligation	(1,526,598)	
Net pension liability	(114,920)	
Pollution remediation obligation	14,291	
Amortization of debt premium	4,553,947	
Amortization of advanced refunding difference	(2,294,916)	
Accrued interest on bonds	<u>2,198,533</u>	
Combined adjustment		2,829,330

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(3,355,692)
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The net effect of disposals of capital assets is to decrease net position.		<u>(325,548)</u>
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Change in net position of governmental activities	\$	<u><u>48,466,284</u></u>
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See notes to the financial statements.

HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
STATEMENT OF FIDUCIARY NET POSITION
AGENCY FUNDS
February 28, 2018

	Total Agency
ASSETS	
Cash and cash equivalents	\$ 32,491
Investments	19,092
Accrued interest receivable	26
Total assets	<u>\$ 51,609</u>
LIABILITIES	
Vouchers payable	\$ 764
Held for others	50,845
Total liabilities	<u>\$ 51,609</u>

See notes to the financial statements.

**HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
February 28, 2018**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Harris County Flood Control District (the "District") have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") as applied to governmental units. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The District's significant accounting and reporting policies are described in the following notes.

A. REPORTING ENTITY

These financial statements include all of the operations and activities of the District legal entity, which is a component unit of the reporting entity of Harris County, Texas (the "County"). Financial statements of the District are included as a blended component unit in the County financial statements.

The District was created April 23, 1937 by the Texas Legislature. Commissioners Court, as the elected governing body of the County, is also the statutory governing body of the District. All activities for which the District is financially accountable have been incorporated to form the reporting entity. This report includes the financial statements of the funds required to account for activities, organizations and functions of the District. The criteria for including activities in the District's financial statements are in conformity with GASB Statement No. 14, *The Reporting Entity* and GASB Statement No. 61, *The Financial Reporting Entity: Omnibus-an amendment of GASB Statements No. 14 and No. 34*.

B. IMPLEMENTATION OF NEW STANDARDS

In the current year, the District implemented the following new standards:

GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans* ("GASB 74"), replaces GASB Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. GASB 74 addresses the financial reports of defined benefit OPEB plans that are administered through trusts that meet specified criteria. Implementation of GASB 74 did not have an impact on the District's financial disclosures.

GASB Statement No. 82, *Pension Issues* ("GASB 82"), addresses certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements Nos. 67 and 68*. Specifically, this Statement addresses issues regarding the presentation of payroll-related measures in required supplementary information, deviations from the guidance of the Actuarial Standards Board, and the classification of payments made by employers to satisfy employee (plan member) contribution requirements. Implementation of GASB 82 did not have an impact on the District's financial disclosures.

C. FINANCIAL STATEMENT PRESENTATION, MEASUREMENT FOCUS AND BASIS OF PRESENTATION

Government-wide Statements

Government wide financial statements consist of the Statement of Net Position and the Statement of Activities. These statements report information on all of the non-fiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. The District reports only governmental activities, which normally are supported by taxes and intergovernmental revenues.

HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
February 28, 2018

The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Under this measurement focus, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The Statement of Activities demonstrates the degree to which the direct expenses of the District's programs are offset by those programs' revenues. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by the program and 2) grants and contributions that are restricted to meeting the operational and/or capital requirements of a particular program. Program revenues are generated from flood control activities. Taxes and other items not included among program revenues are reported instead as general revenues.

Fund-level Statements

All governmental funds use the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The District considers property taxes and other revenues as available if they are collected within 60 days after year-end. Expenditures are recorded when the related fund liability is incurred. Principal and interest on governmental long-term debt are recorded as fund liabilities when due or when amounts have been accumulated in the debt service fund for payments to be made early in the following year. Encumbrances are used during the year and any unliquidated items are reported as part of restricted, committed or assigned fund balance depending on the source of funding. Grant and entitlement revenues are also susceptible to accrual. These funds are accounted for on a spending "financial flow" measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. Their reported fund balance (net current assets) is considered a measure of "available spendable resources." Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

Fiduciary funds, including agency funds, are accounted for using the accrual basis of accounting. This means that all assets and liabilities (whether current or non-current) associated with their activity are included in the funds' statement of net position. The agency funds are custodial in nature and involve no measurement of results of operations.

The accounts of the District are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Funds are generally classified into three categories: Governmental, Proprietary, and Fiduciary. The District has four governmental funds and two fiduciary funds and reports all governmental funds as major funds. The District's funds are comprised of the following:

GOVERNMENTAL FUNDS

**HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
February 28, 2018**

Operations and Maintenance (General) Fund - used to account for all revenues and expenditures, not accounted for in other funds, relating to general operations.

Special Revenue Grants - used to account for grant programs applicable to the District. Revenues consist of intergovernmental revenues. Intergovernmental revenues are from the various granting agencies, including: the United States Department of Homeland Security; Governor's Division of Emergency Management; Texas Water Development Board; and the Army Corps of Engineers.

Debt Service Fund - used to account for payment of principal and interest on the District's property tax bonds.

Capital Projects Fund – used to account for capital improvements and acquisitions which are financed from the District's general obligation bonds and other revenue sources.

FIDUCIARY FUND - used to report assets held in an agency capacity for others and therefore cannot be used to support the government's own programs. The District reports two agency funds. The Corps of Engineers Escrow is used to account for funds held in escrow for Flood Control projects in conjunction with the Army Corp of Engineers. The Payroll fund is used to pay amounts due to external parties and related payroll liabilities from the central payroll system.

D. BUDGETS

The County adheres to the following timetable for consideration and adoption of the annual budget for the Flood Control Operations and Maintenance (General) Fund and the Debt Service Fund:

- Departmental annual budget requests are submitted by the Department or Agency Head to the County Budget Officer during the third quarter of the fiscal year for the upcoming fiscal year to begin March 1.
- The County Auditor must prepare an estimate of available resources for the upcoming fiscal year.
- The County Budget Officer prepares the proposed annual operating budget to be presented to Commissioners Court for their consideration. The budget represents the financial plan for the new fiscal year.
- Public hearings are held on the proposed budget.
- Commissioners Court must adopt an annual operating budget by a majority vote of Commissioners Court before April 1. The adopted budget must be balanced; that is, available resources must be sufficient to support annual appropriations.
- Annual budgets are legally adopted for the General Fund, Debt Service Fund and Capital Projects Fund. Budgets for Special Revenue Grants are prepared on a grant award basis.
- The fund is the legal level of budgetary control. Commissioners Court approval is necessary to transfer appropriations between departments. Transfers may not increase the total budget.
- Commissioners Court may approve expenditures as an amendment to the original budget only in the case of grave public necessity to meet an unusual and unforeseen condition that could not have been included in the original budget through the use of reasonably diligent thought and attention.

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- The County Auditor shall certify to the Commissioners Court the receipt of all public or private grant or aid money that is available for disbursement in a fiscal year, but not included in the budget for that fiscal year. On certification, the court shall adopt a special budget for the limited purpose of spending the grant or aid money for its intended purpose.
- The County Auditor shall certify to the Commissioners Court the receipt of all revenue from intergovernmental contracts that are available for disbursement in a fiscal year, but not included in the budget for that fiscal year. On certification, the court shall adopt a special budget for the limited purpose of spending the revenue from intergovernmental contracts for its intended purpose.
- The County Auditor shall certify to the Commissioners Court the receipt of revenue from a new source not anticipated before the adoption of the budget and not included in the budget for that fiscal year. On certification, the court may adopt a special budget for the limited purpose of spending the revenue for general purposes or for any of its intended purposes.
- Appropriations lapse at year-end for all funds except Special Revenue Grants and Capital Project Funds.
- Budgets are prepared on a cash basis (budget basis) which differs from a GAAP basis.

A reconciliation of General Fund revenues and expenditures on a cash basis (budgetary basis) compared to modified accrual basis (GAAP) is presented in the Notes to Required Supplementary Information.

E. DEPOSITS AND INVESTMENTS

Cash and cash equivalents include amounts in demand deposits as well as short-term investments (i.e. with original maturity of 90 days or less). All investments are recorded at fair value or amortized cost based upon quoted market prices, with the difference between the purchase price and market price being recorded as earnings on investments.

F. INTERFUND TRANSACTIONS

During the course of normal operations, the District has many transactions between funds. The accompanying financial statements reflect as transfers the resources provided and expenditures used to provide services, construct assets and meet debt service requirements.

G. PREPAIDS AND OTHER ASSETS

Certain payments to vendors reflect costs applicable to future accounting periods and are reported as prepaid items in both the government-wide and fund level financial statements. The cost of prepaid items is recorded as expenditures when consumed rather than purchased.

H. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows consist of, when applicable, deferred charge on refundings, pension contributions after measurement date, the differences in projected and actual earnings on pension assets, and changes in pension assumptions. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded debt or refunding debt. The pension contributions after measurement date are deferred and recognized in the following fiscal year.

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The differences in projected and actual earnings on pension assets are amortized over a closed five year period. Pension assumption changes are recognized over the average remaining service life for all members.

In addition to liabilities, the statement of net position will sometimes reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Deferred inflows consist of, when applicable, differences in expected and actual pension experience, and unavailable revenue. Unavailable revenue is reported only on the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources: property taxes and other. The differences in expected and actual pension experience are amortized over a closed five-year period. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

I. CAPITAL ASSETS

Capital assets include land, buildings, land improvements, equipment, construction in progress, intangible assets and flood control infrastructure that are used in the District's operations and benefit more than a single fiscal year. Infrastructure assets are long-lived assets that are generally stationary in nature and can typically be preserved for a significantly greater number of years than other capital assets. Infrastructure assets of the District include flood control channels, storm sewers, and related items.

Capital assets of the District are defined as assets with individual costs of \$5,000 or more and estimated useful lives in excess of one year. Exceptions to the \$5,000 capitalization threshold are as follows: it is the County's policy to capitalize all land and easements. Purchased software greater than \$100,000 is capitalized and internally developed software greater than \$1,000,000 is capitalized. The threshold for capitalizing buildings and building improvements is \$100,000. The capitalization threshold for infrastructure ranges from \$25,000 to \$250,000, depending on the type of infrastructure asset. The intangible assets held by the District are in perpetuity intangible assets, meaning there is no determinable useful life and therefore are not depreciated. All purchased capital assets are stated at historical cost or estimated historical cost if actual cost is not available. Donated capital assets are stated at their estimated acquisition value on the date donated.

It is the County's policy not to capitalize interest on construction for governmental capital assets. Capital assets are depreciated in the government-wide financial statements using the straight-line method over the following useful lives:

<u>Asset</u>	<u>Years</u>
Land improvements	20
Buildings	45
Equipment	3-20
Flood Control Infrastructure:	
Flood control channels	25-75
Storm sewers	30-75

J. NET POSITION AND FUND BALANCES

NET POSITION CLASSIFICATIONS

Net position in the government-wide financial statements is classified in three categories: 1) Net investment in capital assets, 2) Restricted net position, and 3) Unrestricted net position. Net position is shown as restricted if constraints placed on use are either (1) externally imposed by creditors, grantors, contributors,

HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
February 28, 2018

or laws or regulations of other governments or (2) imposed by law through constitutional provisions or enabling legislation. The District's restricted net position is restricted for capital projects.

FUND BALANCE CLASSIFICATIONS

In accordance with GAAP, fund balances are reported according to the following classifications:

Nonspendable – Amounts that cannot be spent because they are either not in spendable form or they are required, legally or contractually, to be maintained intact. This classification includes inventories, prepaid amounts, assets held for resale, and long-term receivables.

Restricted – As in the government-wide financial statements, these amounts represent assets that have externally imposed restrictions by creditors, grantors, contributors, or laws or regulations of other governments. Assets may also be restricted as imposed by law through constitutional provisions or enabling legislation.

Committed – Amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority. The District's highest level of decision-making authority resides with the Commissioners Court. The constraints imposed by the formal action of the Commissioners Court remain binding unless removed or changed in the same manner employed to previously commit those resources. To establish, modify, or rescind a fund balance commitment requires an order adopted by Commissioners Court.

Assigned – Amounts that are constrained by the District's intent to be used for a specific purpose, but that do not meet the criteria to be restricted or committed. The County Budget Officer, by virtue of Commissioners Court ordered appointment to that office and as a normal function of that office, has the authority to assign fund balance to particular purposes. Assignments made by the County Budget Officer can occur during the budget process or throughout the year in the normal course of business. Commissioners Court, at their discretion, may make assignments of fund balance or direct other County officials to do so. Constraints imposed on the use of the assigned amounts can be removed with no formal action.

Unassigned – Amounts that have not been restricted, committed, or assigned. The general fund is the only fund to report a positive unassigned fund balance. In other governmental funds it is not appropriate to report a positive unassigned fund balance amount. However, in the governmental funds other than the general fund, if expenditures incurred for specific purposes exceeds the amounts that are restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance in that fund.

The District applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

K. COMPENSATED ABSENCES

Accumulated compensatory time, vacation and sick leave expected to be liquidated with expendable available financial resources are reported as expenditures in the respective governmental fund. Accumulated compensated absences not expected to be liquidated with expendable available resources are reported as long-term liabilities in the government-wide financial statements. A liability for compensated

HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
February 28, 2018

absences is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

Employees accrue 9.75 days of sick leave per year. Sick leave benefits are recognized as they are used by the employees. Employees may accumulate up to 720 hours of sick leave. Unused sick leave benefits are not paid at termination. Employees accrue from three to ten hours of vacation per pay period depending on years of service and pay period type, standard versus extra. Employees may accumulate from 120 to 280 hours of vacation benefits, depending on years of service. Upon termination, employees are paid the balance of unused vacation benefits.

Non-exempt employees earn compensatory time at one and one-half times their worked hours in excess of 40 hours per week. Non-exempt employees may accrue up to 240 hours of compensatory time. Compensatory time in excess of the 240 hour maximum is paid at the regular rate of pay on the next pay period. Upon termination, non-exempt employees will be paid for any compensatory time balances.

Exempt employees earn compensatory time at a rate of one times their worked hours in excess of 40 hours a week. Exempt employees can accumulate up to 240 hours of compensatory time. Upon termination, exempt employees are paid one-half of the compensatory time earned at the wage rate at time of termination.

L. USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2. DEPOSITS AND INVESTMENTS

Deposits: Chapter 2257 of the Texas Government Code is known as the Public Funds Collateral Act. This act provides guidelines for the amount of collateral that is required to secure the deposit of public funds. Federal Depository Insurance Corporation (FDIC) is available for funds deposited at a financial institution up to a maximum of \$250,000 each for demand deposits, time and savings deposits, and deposits pursuant to indenture. The Public Funds Collateral Act requires that the deposit of public funds be collateralized in an amount not less than the total deposit, reduced by the amount of FDIC insurance available.

The custodial credit risk for deposits is the risk that the District will not be able to recover deposits that are in the possession of an outside party. Deposits are exposed to custodial credit risk if they are not insured or collateralized. As of February 28, 2018, the balance per various financial institutions was \$55,745,374. The District's deposits are not exposed to custodial credit risk since all deposits are covered by FDIC insurance or an irrevocable standby letter of credit with the Federal Home Loan Bank, in accordance with the Public Funds Collateral Act.

Investments: Chapter 2256 of the Texas Government Code is known as the Public Funds Investment Act. This act authorizes the District to invest its funds pursuant to a written investment policy which primarily emphasizes the safety of principal and liquidity, addresses investment diversification, yield, and maturity.

The District follows the guidelines established by the Harris County Investment policy. The Harris County Investment policy is reviewed and approved at least annually by Commissioners Court. The Investment Policy

**HARRIS COUNTY FLOOD CONTROL DISTRICT
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includes a list of authorized investment instruments, a maximum allowable stated maturity by fund type, and the maximum weighted average maturity of the overall portfolio. Guidelines for diversification and risk tolerance are also detailed within the policy. Additionally, the policy includes specific investment strategies for fund groups that address each group's investment options and describes the priorities for suitable investments.

AUTHORIZED INVESTMENTS

Funds of Harris County may be invested as authorized by the Public Funds Investment Act which is located in Chapter 2256 of the Texas Government Code. Allowable investments include:

1. Direct obligations of the United States, its agencies and instrumentalities.
2. Other obligations, the principal and interest of which are unconditionally guaranteed, insured, or backed by the full faith and credit of the State of Texas, the United States, or any obligation fully guaranteed or fully insured by the FDIC.
3. Direct obligations of the State of Texas or its agencies provided the agency has the same debt rating as the State of Texas.
4. Obligations of states, agencies, counties, cities, and other political subdivisions located in the United States, rated not less than A, or its equivalent, by a nationally recognized investment rating firm.
5. Fully insured or collateralized certificates of deposit/share certificates issued by state and national banks, or a savings bank, a state or federal credit union (having its main or branch office in Texas) guaranteed or insured by the FDIC or its successor; and secured by obligations in number 1 above. In addition to the County's authority to invest funds in certificates of deposit and shares certificates as stated above, made in accordance with the following conditions is an authorized investment under Texas Gov't. Code Section 2256.010(b): (1) the funds are invested by the County through a clearing broker registered with the Securities and Exchange Commission (SEC) and operating pursuant to SEC rule 15c3-3 (17 C.F.R. Section 240.15c3-3) with its main office or branch office in Texas and selected from a list adopted by the County as required by Section 2256.025; or a depository institution that has its main office or a branch office in this state and that is selected by the County; (2) the broker or the depository institution selected by the County arranges for the deposit of the funds in certificates of deposit in one or more federally insured depository institutions, wherever located, for the account of the County; (3) the full amount of the principal and accrued interest of each of the certificates of deposit is insured by the United States or an instrumentality of the United States; (4) the broker or depository institution selected by the County acts as custodian for the County with respect to the certificates of deposit issued for the account of the County.
6. Fully collateralized repurchase agreements, provided the County has on file a signed Master Repurchase Agreement detailing eligible collateral, collateralization ratios, standards for collateral custody and control, collateral valuation, and conditions for agreement termination. The repurchase agreement must have a defined termination date and be secured by obligations in number 1 above. It is required that the securities purchased as part of the repurchase agreement must be assigned to the County, held in the County's name, and deposited at the time the investment is made with the County's custodian or with a third-party approved by the County. Securities purchased as part of a repurchase agreement shall be marked-to-market no less than weekly. All repurchase agreements must be conducted through a primary government securities dealer as defined by the Federal Reserve or a

**HARRIS COUNTY FLOOD CONTROL DISTRICT
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financial institution doing business in Texas. Maturities shall be limited to 90 days. The 90-day limit may be exceeded in the case of the flexible repurchase agreements ("flex repos") provided the investment type is specifically authorized within individual bond ordinances and final maturity does not exceed the anticipated spending schedule of bond proceeds.

7. Securities lending programs if the loan is fully collateralized, including accrued income, by securities described in Texas Gov't. Code Section 2256.009, by irrevocable bank letters of credit issued by a bank under the laws of the United States or any other state, continuously rated not less than A by at least one nationally recognized investment rating firm, or by cash invested in accordance with the Investment Act. Securities held as collateral must be pledged to the investing entity, held in the investing entity's name, and deposited at the time the investment is made. A loan must be placed through a primary government securities dealer or a financial institution doing business in Texas. A loan must allow for termination at any time and must have a term of one year or less.
8. Commercial paper with a stated maturity of 270 days or less from the date of issuance, rated A-1 or P-1 or an equivalent rating by at least two nationally recognized agencies, and not under review for possible downgrade at the time of purchase.
9. Local government investment pools with a dollar weighted average maturity of 60 days or less, approved through resolution of Commissioners Court to provide services to the County, continuously rated no lower than AAA or equivalent by at least one nationally recognized rating service. The County may not invest an amount that exceeds 10 percent of the total assets of any one local government investment pool. On a monthly basis, the Investment Officer shall review a list of securities held in the portfolio of any pool in which County funds are being held. To be eligible to receive funds from and invest funds on behalf of the County an investment pool must furnish to the Investment Officer or other authorized representative an offering circular or other similar disclosure instrument that contains information required by Tex. Gov't. Code, Sec. 2256.016. Investments will be made in a local government investment pool only after a thorough investigation of the pool and review by the Finance Committee.
10. A Securities and Exchange Commission (SEC) registered, no load money market mutual fund which has a dollar weighted average stated maturity of 60 days or less. Furthermore, it must be rated not less than AAA or equivalent by at least one nationally recognized rating service and the County must be provided with a prospectus and other information required by the SEC Act of 1934 or the Investment Company Act of 1940. The County may not invest an amount that exceeds 10 percent of the total assets of any one fund. Investments will be made in a money market mutual fund only after a thorough investigation of the fund and review by the Finance Committee.
11. Interest-bearing banking deposits that are guaranteed or insured by: (A) the Federal Deposit Insurance Corporation or its successor; or (B) the National Credit Union Share Insurance Fund or its successor; and interest-bearing banking deposits other than described above if: (A) the funds invested in the banking deposits are invested through: (i) a broker with a main office or branch office in Texas that the County selects from a list of its governing body or designated investment committee adopts as required by Section 2256.025; or (ii) a depository institution with a main office or branch office in Texas that the County selects; (B) the broker or depository institution selected as described above arranges for the deposit of the funds in one or more federally insured depository institutions, regardless of where located, for the County's account; (C) the full amount of the principal and accrued interest of the deposits is insured by the United States or an instrumentality of the United States; and (D) the County appoints as the custodian of the bank deposits issued for the County's account: (i) the depository institution selected as described above; (ii) an

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entity described by Section 2257.041(d); or (iii) a clearing broker dealer registered with the Securities and Exchange Commission and operating under Securities and Exchange Commission Rule 15c3-3 (17 C.F.R. Section 240.15c3-3).

Summary of Cash and Investments

The District's cash and investments are stated at fair value or amortized cost. The following is a summary of cash and investments held by the District at February 28, 2018.

	Governmental Activities	Fiduciary Funds	Total
Cash and Cash Equivalents	\$ 80,111,811	\$ 32,491	\$ 80,144,302
Restricted Cash and Cash Equivalents	4,127,145	-	4,127,145
Investments	173,539,926	19,092	173,559,018
Total Cash & Investments	\$ 257,778,882	\$ 51,583	\$ 257,830,465

The table below indicates the fair value and maturity value of the District's investments as of February 28, 2018, summarized by security type. Also demonstrated are the percentage of total portfolio and the weighted average maturity in years for each summarized security type.

Security	Fair Value	Percentage of Portfolio	Maturity Amount	Weighted Avg Modified Duration (Years)	Credit Rating S&P/ Moody's
<i>US Agency Notes</i>					
FHLB	\$ 34,774,950	13.33%	\$ 35,000,000	0.079	AA+/Aaa
FHLMC	37,659,560	14.44%	38,000,000	0.104	AA+/Aaa
FNMA	2,996,010	1.15%	3,000,000	0.003	AA+/Aaa
<i>Total US Agency Notes</i>	<u>75,430,520</u>		<u>76,000,000</u>		
<i>Commercial Paper</i>					
GECCO - Disc. Commercial Paper	4,961,661	1.91%	5,000,000	0.007	A-1/P-1
GECCSY - Disc. Commercial Paper	9,945,528	3.82%	10,000,000	0.011	A-1/P-1
MUFG - Disc. Commercial Paper	9,984,056	3.83%	10,000,000	0.004	A-1/P-1
TMCC - Disc. Commercial Paper	48,757,838	18.68%	49,000,000	0.050	A-1+/P-1
XON - Disc. Commercial Paper	19,871,333	7.62%	20,000,000	0.025	A-1+/P-1
<i>Total Commercial Paper</i>	<u>93,520,416</u>		<u>94,000,000</u>		
<i>Local Governments</i>					
Tennessee St Txbl Ref Ser C	1,400,082	0.54%	1,405,000	0.002	AAA/Aaa
Univ of Kentucky Gnrl Rcpts	3,154,623	1.20%	3,190,000	0.013	AA/Aa2
<i>Total Local Governments</i>	<u>4,554,705</u>		<u>4,595,000</u>		
<i>US Treasury Note</i>					
US Treasury Note	19,993,400	7.67%	20,000,000	0.005	AAA/Aaa
<i>Total US Treasury Notes</i>	<u>19,993,400</u>		<u>20,000,000</u>		
<i>Money Market Funds</i>					
Lone Star Investment Pool	1,579,396	0.60%	1,579,396	N/A	AAAm
Logic Investment Pool	10,057,617	3.85%	10,057,617	N/A	N/A
Fidelity Instl Treasury	44,076,636	16.89%	44,076,636	N/A	N/A
Flood - Cadence (DDA)	11,668,737	4.47%	11,668,737	N/A	N/A
<i>Total Money Market Funds</i>	<u>67,382,386</u>		<u>67,382,386</u>		
Total Investments	<u>260,881,427</u>	<u>100.00%</u>	<u>\$ 261,977,386</u>		
<i>Outstanding items</i>	<u>(3,050,962)</u>				
Total Cash & Investments	<u><u>\$ 257,830,465</u></u>				

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Fair Value Measurements

The County categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

As of February 28, 2018, the County has the recurring fair value measurements for U.S. Agency Notes, Commercial Paper, Local Governments and U.S. Treasury Notes totaling \$193,499,041, all of which are valued using quoted prices for similar assets in active markets (Level 2 inputs). The Money Market Funds through External Investment Pools totaling \$67,382,386 have been valued at amortized cost and fair value in accordance with GASB No. 79. For pools shown above, Logic and Flood Control's Demand Deposit Account have been valued at fair value (Level 2 input) with Lone Star and Fidelity at amortized cost.

RISK DISCLOSURES

Interest Rate Risk: All investments carry the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the District manages its exposure to interest rate risk is by purchasing a combination of shorter and longer term investments and by matching cash flows from maturities so that a portion of the portfolio is maturing evenly over time as necessary to provide the cash flow and liquidity needed for operations.

According to the County investment policy, no more than 50% of the portfolio, excluding those investments held for construction/capital projects, special revenue, and flood control may be invested beyond three years. Additionally at least 15% of the portfolio, with the previous exceptions, shall be invested in overnight instruments or in marketable securities which can be sold to raise cash within one day's notice. Overall, the average maturity of the portfolio, with the previous exceptions, shall not exceed three years. As of February 28, 2018, the District was in compliance with all of these guidelines to manage interest rate risk.

Credit Risk and Concentration of Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Concentration of credit risk is the risk of loss attributed to the magnitude of an investment in a single issuer. The District mitigates these risks by emphasizing the importance of a diversified portfolio. All funds must be sufficiently diversified to eliminate the risk of loss resulting from over-concentration of assets in a specific maturity, a specific issuer, or a specific class of securities. In particular, no more than 25% of the overall portfolio may be invested in time deposits, including certificates of deposit, of a single issuer. Concentration by issuer for other investment instruments is not specifically addressed in the investment policy. However, the policy does specify that acceptable investment instruments must have high quality credit ratings and, consequently, risk is minimal.

The County's investment policy establishes minimum acceptable credit ratings for certain investment instruments. Securities of states, agencies, counties, cities and other political subdivisions must be rated as to investment quality by a nationally recognized investment rating firm as A or its equivalent. Money market mutual funds and public funds investment pools must be rated AAA or its equivalent by at least one nationally recognized investment rating firm.

Custodial Credit Risk: Investments are exposed to custodial credit risk if the investments are uninsured, are

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not registered in the District's name and are held by the counterparty. In the event of the failure of the counterparty, the District may not be able to recover the value of its investments that are held by the counterparty. As of February 28, 2018, all of the District's investments are held in the District's name.

Foreign Currency Risk: Foreign currency risk is the risk that fluctuations in the exchange rate will adversely affect the value of investments denominated in a currency other than the US dollar. The County Investment Policy does not list securities denominated in a foreign currency among the authorized investment instruments. Consequently, the District is not exposed to foreign currency risk.

FUND INVESTMENT CONSIDERATIONS

The Investment Policy outlines specific investment strategies for each fund or group of funds identified on the District's financial statements. The two investment strategies employed by the District are the Matching Approach and the Barbell Approach. The Matching Approach is an investment method that matches maturing investments with disbursements. Matching requires an accurate forecast of disbursement requirements. The Barbell Approach is an investment method where maturities are concentrated at two points, one at the short end of the investment horizon and the other at the long end. Specific guidelines have not been established for Pooled Investments. The investment strategies and maturity criteria are outlined in the following table.

Fund Type	Investment Strategy	Maximum Maturity Per Policy (Years)	Maturity Amount	Average Remaining Years To Maturity
Flood Control/Special Revenue	Matching	5	194,595,000	0.36
Money Market Mutual Funds	N/A	N/A	67,382,386	N/A
			<u>\$ 261,977,386</u>	

Note: Money Market Mutual Funds are excluded from the various fund types which may affect the average remaining maturity.

3. PROPERTY TAXES

Property taxes for the District are levied each year based on tax rates adopted within 60 days of receiving the certified roll or September 30, whichever is later. Tax rates for the District are usually adopted in September or October. Taxes are levied on the assessed value of all taxable real and personal property as of the preceding January 1. On January 1, at the time of assessment, an enforceable lien is attached to the property for property taxes. Appraised values are determined by the Harris County Appraisal District (the "Appraisal District") equal to 100% of the appraised market value as required by the State Property Tax Code. Real property must be appraised at least every three years. Taxpayers and taxing units may challenge appraisals of the Appraisal District through various appeals and, if necessary, legal action.

The District is permitted by law to levy a tax rate up to \$.30 per \$100 of taxable valuation. There is no limitation on the tax rate which may be set for debt service within the \$.30/\$100 valuation. The tax rate for maintenance and operations is limited to the rate as may from time to time be approved by the voters of the District. The maximum tax rate for maintenance and operations is \$.15 per \$100 of taxable valuation. The County is responsible for setting the tax rate for the District. The County adopted the following tax rates on behalf of the District for the 2017 tax year, per \$100 of taxable valuation:

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	Maintenance and Operations <u>(General)</u>	Debt <u>Service</u>	<u>Total</u>
Flood Control District	\$0.02736	\$0.00095	\$0.02831

Property tax receivables of \$4,333,952 as of February 28, 2018 are reported net of an allowance for uncollectible taxes of \$10,871,052.

The District enters into property tax abatement agreements with local businesses under the state Property Redevelopment and Tax Abatement Act, Chapter 312, as well as its own guidelines and criteria, which is required under the Act. Under the Act, including its guidelines and criteria, the District may grant property tax abatements for economic projects under the program that provide an increase of at least \$1,000,000 in property values and 25 jobs created/retained. Abatements granted are up to \$1,000,000 per job created/retained for up to 50% abatement over a period of up to 10 years. In addition to job growth/retention, the District's guidelines and criteria focus on creating new wealth to the community rather than recirculating dollars within the community, and attracting industries that have demonstrated a commitment to protecting our environment—all without creating a substantial adverse effect on the competitive position of existing companies operating in the District. The agreement used for this purpose provides for termination of the agreement in the event its counterparty discontinues producing product as well as recapturing property taxes abated in that calendar year.

For the fiscal year ended February 28, 2018, the District abated property taxes totaling \$12,091 under this program, which includes four entities—two of which were manufacturing facilities, which were granted exemptions that converted to property tax abatements ranging from \$1,214 to \$9,767 and totaling \$10,981. Two of the entities were regional distribution facilities, which were also granted an exemption that converted to a property tax abatement of \$1,110.

4. INTERFUND BALANCES AND TRANSFERS

In the fund financial statements, interfund balances are the result of normal transactions between funds and will be liquidated in the subsequent fiscal year. Balances between individual governmental funds are eliminated in the government-wide financial statements.

The interfund receivable and payable balances, as of February 28, 2018 are as follows:

	Receivable:			
	General Fund	Special Revenue Grants	Debt Service	Total
Payable:				
Special Revenue Grants	\$ 11,063,312	\$ -	\$ -	\$ 11,063,312
Capital Projects	-	2,031	2,151	4,182
TOTAL	\$ 11,063,312	\$ 2,031	\$ 2,151	\$ 11,067,494

The interfund balances are for the Special Revenue Grants to reimburse the General Fund and Capital Projects

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for short-term loans until the grant monies are received; most grants are on a reimbursement basis from the granting agencies.

The following is a summary of the District's transfers for the year ended February 28, 2018:

Transfers In:					
	General Fund	Special Revenue Grants	Debt Service	Capital Projects	Total
Transfers Out:					
General Fund	\$ -	\$ -	\$ -	\$ 60,000,000	\$ 60,000,000
Special Revenue Grants	2,330,367	-	-	420	2,330,787
Debt Service Fund	475,429	-	-	-	475,429
Capital Projects	-	8,631,041	36,764	-	8,667,805
TOTAL	\$ 2,805,796	\$ 8,631,041	\$ 36,764	\$ 60,000,420	\$ 71,474,021

The transfers are routine in nature. Transfers to the Special Revenue Grants are to meet grant matching requirements in the grant contracts. Transfers to the Debt Service are to make debt payments. Transfers between individual governmental funds are eliminated in the government-wide financial statements.

5. CAPITAL ASSETS

Capital assets transactions are summarized as follows:

	Balance March 1, 2017	Additions	Deletions	Transfers	Balance February 28, 2018
Governmental Activities:					
Land	\$ 1,630,189,648	\$ 22,547,566	\$ (251,664)	\$ (2,749,754)	\$ 1,649,735,796
Construction in progress	86,918,514	71,935,352	(73,884)	(5,549,180)	153,230,802
Intangible Assets - water rights	2,400,000	-	-	-	2,400,000
Total capital assets not depreciated	1,719,508,162	94,482,918	(325,548)	(8,298,934)	1,805,366,598
Land improvements	641,531	-	-	-	641,531
Buildings	12,158,223	-	-	-	12,158,223
Equipment	12,002,500	129,713	-	-	12,132,213
Flood control projects	954,420,777	-	-	8,298,934	962,719,711
	979,223,031	129,713	-	8,298,934	987,651,678
Less accumulated depreciation for:					
Land Improvements	(320,715)	(31,818)	-	-	(352,533)
Buildings	(3,914,968)	(268,543)	-	-	(4,183,511)
Equipment	(8,738,111)	(1,025,369)	-	-	(9,763,480)
Flood control projects	(413,799,897)	(32,096,770)	-	-	(445,896,667)
	(426,773,691)	(33,422,500)	-	-	(460,196,191)
Total capital assets being depreciated, net	552,449,340	(33,292,787)	-	8,298,934	527,455,487
Governmental activities capital assets, net	\$ 2,271,957,502	\$ 61,190,131	\$ (325,548)	\$ -	\$ 2,332,822,085

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Depreciation expense was charged to the Flood Control Administration function of the District for \$33,422,500.

6. LONG-TERM LIABILITIES

Bonded debt of the District consists of various issues of General Obligation Bonds, which are direct obligations of the District with the District's full faith and credit pledged towards the payment of these obligations and Special Obligation Bonds secured by a pledge and first lien on the County's payments to the District under Flood Control Projects Contracts. Debt service on these bonds is paid from the receipts of a separate limited ad valorem tax. All bonded debt is capital-related.

The changes in the District's Governmental Long-Term Liabilities for fiscal year 2017-2018 were as follows:

	Outstanding March 1, 2017	Increase	Decrease	Outstanding February 28, 2018	Amount Due Within One Year
Governmental Activities:					
Refunding Series 2008A	\$ 98,945,000	\$ -	\$ (7,185,000)	\$ 91,760,000	\$ 21,915,000
Refunding Series 2008C	100,145,000	-	(2,265,000)	97,880,000	2,330,000
Refunding Series 2010A	178,605,000	-	(178,605,000)	-	-
Refunding Series 2014	36,200,000	-	-	36,200,000	-
Refunding Series 2014A	58,225,000	-	-	58,225,000	-
Refunding Series 2014B	41,140,000	-	(16,505,000)	24,635,000	2,460,000
Refunding Series 2015A	46,875,000	-	-	46,875,000	-
Refunding Series 2015B	30,145,000	-	-	30,145,000	-
Refunding Series 2017A	-	168,100,000	-	168,100,000	945,000
Total Bonds Payable - Principal	590,280,000	168,100,000	(204,560,000)	553,820,000	27,650,000
Unamortized Premium, Series 2008A	4,020,048	-	(1,331,784)	2,688,264	-
Unamortized Discount, Series 2008C	(392,616)	39,764	-	(352,852)	-
Unamortized Premium, Series 2010A	14,840,264	-	(14,840,264)	-	-
Unamortized Premium, Series 2014	6,049,770	-	(565,503)	5,484,267	-
Unamortized Premium, Series 2014A	9,704,942	-	(864,288)	8,840,654	-
Unamortized Premium, Series 2015A	6,418,322	-	(477,861)	5,940,461	-
Unamortized Premium, Series 2015B	4,522,757	-	(315,359)	4,207,398	-
Unamortized Premium, Series 2017A	-	28,924,330	(449,054)	28,475,276	-
Total Bonds Payable	635,443,487	197,064,094	(223,404,113)	609,103,468	27,650,000
Compensatory Time Payable	442,198	266,326	(265,319)	443,205	323,540
OPEB Obligation	13,646,397	1,526,598	-	15,172,995	-
Net Pension Liability	15,131,730	-	(7,011,979)	8,119,751	-
Pollution Remediation Obligation	372,532	-	(12,723)	359,809	1,568
TOTAL	\$ 665,036,344	\$ 198,857,018	\$ (230,694,134)	\$ 633,199,228	\$ 27,975,108

Historically, the Debt Service fund has been used to liquidate bonded debt and the General Fund has been used to liquidate other long-term liabilities.

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A. OUTSTANDING BONDED DEBT

	Original Issue Amount	Interest Rates (%)	Date Series		February 28, 2018
			Issued	Matures	
Refunding Series 2008A	137,095,000	4.00-5.25	2008	2021	91,760,000
Refunding Series 2008C	158,100,000	3.00-5.125	2008	2024	97,880,000
Refunding Series 2014	36,590,000	2.00-5.00	2014	2026	36,200,000
Refunding Series 2014A	60,100,000	1.00-5.00	2014	2029	58,225,000
Refunding Series 2014B	73,665,000	0.25-3.211	2014	2024	24,635,000
Refunding Series 2015A	46,875,000	3.00-5.00	2015	2030	46,875,000
Refunding Series 2015B	30,145,000	3.00-5.00	2015	2030	30,145,000
Refunding Series 2017A	168,100,000	4.00-5.00	2017	2039	168,100,000
TOTAL	\$ 710,670,000				\$ 553,820,000

B. DEBT SERVICE REQUIREMENTS

The debt service requirements to maturity for the bonds are summarized as follows:

Fiscal year	Principal	Interest	Total
2019	\$ 27,650,000	\$ 25,000,522	\$ 52,650,522
2020	28,025,000	25,057,220	53,082,220
2021	29,495,000	23,585,908	53,080,908
2022	30,980,000	22,104,058	53,084,058
2023	32,605,000	20,477,608	53,082,608
2024-2028	185,165,000	77,558,716	262,723,716
2029-2033	128,165,000	33,304,100	161,469,100
2034-2038	62,800,000	13,898,250	76,698,250
2039-2043	28,935,000	1,747,400	30,682,400
	\$ 553,820,000	\$ 242,733,782	\$ 796,553,782

C. UNISSUED AUTHORIZED BONDS

Capital projects are funded primarily by the issuance of bonded debt. The Flood Control District has received voter approval for the issuance of bonds to maintain an ongoing capital improvement program. The following is the summary of authorized, issued and unissued bonds and commercial paper:

<u>Description</u>	Year of Voter Authorization	Amount Authorized	Issued as of 2/28/2018	Authorized but Unissued as of 2/28/2018
<u>Ad Valorem Tax Bonds</u>		(amounts in millions)		
Flood	2015	\$ 64.0	-	\$ 64.0
Total Ad Valorem Tax Bonds		<u>\$ 64.0</u>	<u>\$ -</u>	<u>\$ 64.0</u>

D. REFUNDING/ISSUANCE OF DEBT

On December 7, 2017, the County issued \$168,100,000 in Flood Control District Contract Tax Refunding Bonds, Series 2017A, to refund and defease the County's outstanding Flood Control District Contract Tax Bonds, Series 2010A, and to pay the cost of such issuance. The annual interest rates range from 4.00% to 5.00%. The issuance had a premium of \$28,924,330. The interest accrues semiannually and the bonds mature in 2039. The refunding resulted in savings of \$34,855,059 due to a decrease in cash flow requirements and had an economic gain of \$24,805,509. The savings of \$34,855,059 will be amortized over the remaining life of the refunding debt.

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E. COMMERCIAL PAPER

On August 21, 2001, Commissioners Court authorized a \$200,000,000 commercial paper program designated as the Harris County Flood Control District Contract Tax Commercial Paper Notes, Series F ("Series F Notes") to fund projects identified in an agreement between the County and the Flood Control District ("Flood Contract") and refinance, refund, and renew the notes themselves and fund issuance costs. The Series F liquidity facility expired on August 1, 2015 and the program is now dormant. As of February 28, 2018, there is no outstanding Series F commercial paper, nor was there any Series F commercial paper activity during the year then ended.

On November 14, 2017, Commissioners Court authorized a \$64,000,000 commercial paper program designated as the Harris County Flood Control District Limited Tax Commercial Paper Notes, Series H ("Series H Notes") secured by the District ad valorem taxes, to fund certain Flood Control projects of the District. As of February 28, 2018, there is no outstanding Series H commercial paper, nor was there any Series H commercial paper activity during the year then ended.

The District has a credit agreement with JP Morgan Chase Bank which expires December 11, 2020. For this line of credit, the District is assessed a fee of .34% per annum on the daily amount of the commitment. If converted to a term loan, the principal amount of Series H shall be due and payable in substantially equal installments due quarterly on the last business day of the month in which such payment is due, commencing with the first such installment due on the term loan commencement date.

F. SUBSEQUENT BOND ISSUANCES

The District did not issue any debt subsequent to year end as of the date of this report.

G. ARBITRAGE REBATE LIABILITY

The Tax Reform Act of 1986 established regulations for the rebate to the federal government of arbitrage earnings on certain local government bonds issued after December 31, 1985, and all local governmental bonds issued after August 31, 1986. Issuing governments must calculate any rebate due and remit the amount due at least every five years. There were no arbitrage rebate payments made during fiscal year 2018. As of February 28, 2018 there were no estimated liabilities for arbitrage rebate on governmental debt. The Debt Service Funds have typically been used to liquidate arbitrage liabilities in previous years.

7. RETIREMENT PLAN

Plan Description

Harris County provides retirement, disability, and survivor benefits for all of its employees (excluding temporary) through a non-traditional defined benefit pension plan in the statewide Texas County and District Retirement System ("TCDRS"). This is accounted for as an agent multiple-employer defined benefit pension plan. The Board of Trustees of TCDRS is responsible for the administration of the statewide agent multiple-employer public employee retirement system. TCDRS in the aggregate issues a comprehensive annual financial report ("CAFR") on a calendar year basis. The CAFR is available upon written request from the TCDRS Board of Trustees at P.O. Box 2034, Austin, Texas 78768-2034 or the website at www.TCDRS.org.

Harris County's pension plan includes Flood Control and three other participating employers. Flood Control has reported its participation in the Harris County plan as a cost sharing employer. The Harris County plan is allocated to participating employers based upon contributions. Flood Control's allocated share was 1.95%.

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Benefits Provided

The plan provisions are adopted by Commissioners Court of the County, within the options available in the state statutes governing TCDRS ("TCDRS Act"). Members can retire at ages 60 and above with eight or more years of service, with 30 years of service regardless of age, when the sum of their age and years of service equals 75 or more, or if they become disabled. Members are vested after eight years of service but must leave their accumulated contributions in the plan to receive any employer-financed benefit. Members who withdraw their personal contributions in a lump sum are not entitled to any amounts contributed by the County.

Benefit amounts are determined by the sum of the employee's contributions to the plan, with interest and employer-financed monetary credits. The level of these monetary credits is adopted by Commissioners Court, within the actuarial constraints imposed by the TCDRS Act so that the resulting benefits can be expected to be adequately financed by the employer's commitment to contribute. By law, employee accounts earn 7% interest. At retirement, death, or disability, the benefit is calculated by converting the sum of the employee's accumulated contributions and the employer-financed monetary credits to a monthly annuity using annuity purchase rates prescribed by the TCDRS Act. The County's current match is 225%.

Employees Covered by Benefit Terms

At the measurement date, the following employees were covered by the benefit terms of the Harris County plan:

	12/31/16	12/31/17
Inactive employees or beneficiaries current receiving benefits	7,979	8,271
Inactive employees entitled but not yet receiving benefits	8,279	8,548
Active employees	16,772	17,350
Total	<u>33,030</u>	<u>34,169</u>

Contributions

The County has elected the annually determined contribution rate ("ADCR") plan provisions of the TCDRS Act. The plan is funded by monthly contributions from both employee members and the County based on the covered payroll of employee members. Under the TCDRS Act, the contribution rate of the County is actuarially determined annually as of December 31, two years prior to the end of the fiscal year in which contributions are reported. The County contributed using an actuarially determined rate of 14.00% of covered payroll for the months of the calendar year in 2017, and 14.00% for the months of the calendar year in 2018.

The contribution rate payable by the employee members for 2017 and 2018 is 7% as adopted by Commissioners Court. The employee contribution rate and the employer contribution rate may be changed by Commissioners Court, within the options available in the TCDRS Act.

Actuarial Assumptions

For the County's fiscal year ending February 28, 2018, the net pension liability was measured as of December 31, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

The total pension liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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Inflation	2.75%
Salary Increases	4.9%
Investment rate of return	8.0%

The County has no automatic cost-of-living adjustments (“COLA”) and one is not considered to be substantively automatic under GASB No. 68. Therefore, no assumption for future cost-of-living adjustments is included in the GASB calculation or in the funding valuation. Each year, the County may elect an ad-hoc COLA for its retirees.

The annual salary increase rates assumed for individual members vary by length of service and by entry-age group. The annual rates consist of a general wage inflation component of 3.25% (made up of 2.75% inflation and 0.5% productivity increase assumptions) and a merit, promotion, and longevity component that on average approximates 1.6% per year for a career employee.

Mortality rates for depositing members were based on the RP-2014 Active Employee Mortality Table for males and females as appropriate, with adjustments. Service retirees, beneficiaries, and non-depositing members were based on RP-2014 Healthy Annuitant Mortality Table for males and females as appropriate.

The actuarial cost method was Entry Age Normal, as required by GASB No. 68. The actuarial assumptions used in the December 31, 2017 valuation were based on the results of an actuarial experience study for the period January 1, 2013 – December 31, 2016, except where required to be different by GASB No. 68.

The long-term expected rate of return on TCDRS assets is determined by adding expected inflation to expected long-term real returns, and reflecting expected volatility and correlation. The numbers shown are based on January 2018 information for a 10 year time horizon and are re-assessed at a minimum of every four years, and is set based on a 30-year time horizon; the most recent analysis was performed in 2017. The following target asset allocation was adopted by the TCDRS board in April 2018. The geometric real rate of return is net of inflation, assumed at 1.95%.

Asset Class	Target Allocation	Geometric Real Rate of Return
US Equities	11.50%	4.55%
Private Equity	16.00%	7.55%
Global Equities	1.50%	4.85%
International Equities - Developed	11.00%	4.55%
International Equities - Emerging	8.00%	5.55%
Investment-Grade Bonds	3.00%	0.75%
Strategic Credit	8.00%	4.12%
Direct Lending	10.00%	8.06%
Distressed Debt	2.00%	6.30%
REIT Equities	2.00%	4.05%
Master Limited Partnerships (MLPs)	3.00%	6.00%
Private Real Estate Partnerships	6.00%	6.25%
Hedge Funds	18.00%	4.10%
	<u>100.00%</u>	

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Discount Rate

The discount rate used to measure the total pension liability was 8.1%. Using the alternative method, the projected fiduciary net position is determined to be sufficient compared to projected benefit payments based on the funding requirements under the County's funding policy and the legal requirements under the TCDRS Act.

1. TCDRS has a funding policy where the unfunded actuarial accrued liability ("UAAL") shall be amortized as a level percent of pay over 20-year layered periods.
2. Under the TCDRS Act, the County is legally required to make the contribution specified in the funding policy.
3. The County's assets are projected to exceed its accrued liabilities in 20 years or less. When this point is reached, the employer is still required to contribute at least the normal cost.
4. Any increased cost due to the adoption of a COLA is required to be funded over a period of 15 years, if applicable.

Since the projected fiduciary net position is projected to be sufficient to pay projected benefit payments in all future years, the discount rate for purposes of calculating the total pension liability and net pension liability of the employer is equal to the long-term assumed rate of return on investments.

Changes in Net Pension Liability (amounts in thousands):

	Total Pension Liability (a)	Fiduciary Net Position (b)	Net Pension Liability/(Asset) (a) - (b)
Balances as of December 31, 2016	\$ 5,772,462	\$ 5,030,761	\$ 741,701
Changes for the year:			
Service cost	146,841		146,841
Interest on total pension liability	468,982		468,982
Effect of economic/demographic gains or loss	(6,851)		(6,851)
Effect of assumptions changes or inputs	10,614		10,614
Refund of contributions	(9,269)	(9,269)	-
Benefit payments	(254,672)	(254,672)	-
Administrative expenses	-	(3,797)	3,797
Member contributions	-	71,870	(71,870)
Net investment income	-	733,526	(733,526)
Employer contributions	-	142,896	(142,896)
Other	-	(605)	605
Balances as of December 31, 2017	<u>\$ 6,128,107</u>	<u>\$ 5,710,710</u>	<u>\$ 417,397</u>

The net pension liability allocated to Flood Control at February 28, 2017 and February 28, 2018 was \$15,131,730 and \$8,119,751, respectively and employer contributions for the same period were \$2,782,569 and \$2,779,823, respectively.

Sensitivity Analysis. The following presents the net pension liability of the County, calculated using the discount rate of 8.1%, as well as what the County's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7.1%) or 1-percentage-point higher (9.1%) than the current rate (amounts in thousands):

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Harris County:	1% Decrease 7.10%	Current Discount Rate 8.10%	1% Increase 9.10%
Total pension liability	\$ 6,928,968	\$ 6,128,107	\$ 5,452,400
Fiduciary net position	5,710,710	5,710,710	5,710,710
Net pension liability	<u>\$ 1,218,258</u>	<u>\$ 417,397</u>	<u>\$ (258,310)</u>

Pension Plan Fiduciary Net Position. Detailed information about the pension plan's fiduciary net position is available in the separately issued TCDRS financial report.

Pension Expense and Deferred Inflows/Outflows of Resources Related to Pensions

For the measurement period ending December 31, 2017, the County recognized pension expense of \$171,072,827, Flood Control's share was \$3,203,119, as of February 28, 2018; the County reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources (amounts in thousands):

	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	\$ 27,767	\$ -
Changes of assumptions	-	34,420
Net difference between projected and actual earnings	75,448	-
Contributions made subsequent to the measurement date	-	22,682
	<u>\$ 103,215</u>	<u>\$ 57,102</u>

Flood Control's Allocation:

	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	\$ 540	\$ -
Changes of assumptions	-	670
Net difference between projected and actual earnings	1,468	-
Contributions made subsequent to the measurement date	-	436
	<u>\$ 2,008</u>	<u>\$ 1,106</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pension, other than contributions subsequent to the measurement date, will be recognized in pension expense for the Harris County plan as follows:

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<u>County</u>		<u>Flood Control</u>	
Year ended December 31:		Year ended December 31:	
2018	28,080,245	2018	421,436
2019	28,080,245	2019	421,436
2020	(55,995,662)	2020	(1,214,117)
2021	(69,587,492)	2021	(1,446,992)
2022	627,188	2022	(60,173)

Payable to the Pension Plan

At February 28, 2018, the County reported a payable of \$16,890,990 for the outstanding amount of contributions to the pension plan.

The above information includes four participating employers to the agent multiple employer defined benefit pension plan. One of the employers, Community Supervision ("CS") is not considered a department or a component unit of the County. The net pension liability for CS at February 28, 2017 and February 28, 2018 is \$23,093,168 and \$12,420,509, respectively.

The deferred inflows and outflows reported for CS at February 28, 2018 were (amounts in thousands):

	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>
Differences between expected and actual experience	\$ 826	\$ -
Changes of assumptions	-	1,024
Net difference between projected and actual earnings	2,245	-
Contributions made subsequent to the measurement date	-	668
	<u>\$ 3,071</u>	<u>\$ 1,692</u>

For the measurement period ended December 31, 2017, CS recognized pension expense of \$4,417,631.

The RSI following the notes to the financial statements contains: the schedule of changes in the County's net pension liability and related ratios, and the schedule of County contributions.

8. OTHER POSTEMPLOYMENT BENEFITS

THE PLAN:

Plan Description

Harris County administers an agent multiple-employer defined benefit postemployment healthcare plan that covers retired employees of participating governmental entities. The plan provides medical, dental, vision, and basic life insurance benefits to plan members. Local Government Code Section 157.101 assigns the authority to establish and amend benefit provisions to Commissioners Court.

Membership in the plan at March 1, 2017, the date of the latest actuarial valuation, consists of the following:

Retirees and beneficiaries receiving benefits	4,971
Active plan members	15,639
Number of participating employers	5

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Summary of Significant Accounting Policies

Basis of Accounting. The Plan's transactions are recorded using the accrual basis of accounting. Plan member and employer contributions are recognized in the period in which the contributions are due. Benefits and refunds are recognized when due and payable.

Contributions

Local Government Code Section 157.102 assigns to Commissioners Court the authority to establish and amend contribution requirements of the plan members and the participating employers. The following tables present the criteria for the employers' contribution to the retiree's and qualifying dependent's benefits:

Retired Prior to March 1, 2002:

Years of Service	10 yrs.	9 yrs.	8 yrs.	< 8yrs. with proportionate service and/or disability
Retiree - Employer Share	100%	90%	80%	50%
Retiree - Retiree Share	0%	10%	20%	50%
Dependent - Employer Share	50%	45%	40%	25%
Dependent - Retiree Share	50%	55%	60%	75%

Retired or Eligible to Retire Prior to March 1, 2011:

Employee's age plus years of service	75	75	70-74	< 70	N/A
Years of service	10	8-9	8	4-7	< 4
Consecutive service years at retirement	4	4	4	4	N/A
Retiree - Employer Share	100%	80%	80%	50%	0%
Retiree - Retiree Share	0%	20%	20%	50%	100%
Dependent - Employer Share	50%	40%	40%	25%	0%
Dependent - Retiree Share	50%	60%	60%	75%	100%

Eligible to Retire March 1, 2011 or After:

A combination of age plus a minimum of 10 years of non-forfeited Harris County/TCDRS service equal to 80 or at least age 65 (or Medicare eligible) with a minimum of 10 years of non-forfeited Harris County/TCDRS service to receive 100% of the County contributions for retiree coverage and 50% for dependent coverage.

Employees Hired on or After March 1, 2007:

A combination of age plus a minimum of 20 years of non-forfeited Harris County/TCDRS service equal to 80 or at least age 65 (or Medicare eligible) with a minimum of 15 years of non-forfeited Harris County/TCDRS service to receive any County contributions for retiree or dependent coverage.

Effective March 1, 2012:

Harris County pays no more for retiree healthcare than the premium it pays for active employees for each rate tier structure (retiree only, retiree + spouse, retiree + child, retiree + 2 or more dependents). As a result all non-Medicare retirees pay an additional amount for their coverage regardless of their retirement date.

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The Plan rates are set annually by Commissioners Court based on the combination of premiums and costs of the self-funded portion of the plan. The Plan is funded on a pay-as-you-go basis. For the year ended February 28, 2018, plan members or beneficiaries receiving benefits contributed \$11.65 million, or approximately 19.0 percent of total benefits paid during the year. Participating employers contributed \$50.16 million. The total contributions for the year ended February 28, 2018 were \$61.8 million. Total contributions included actual medical claims paid, premiums for other insurance and administrative costs calculated through an annual rate calculation.

THE EMPLOYER:

Annual OPEB Cost

For 2018, the County's annual OPEB cost (expense) was \$143,008,160 (including Flood Control of \$3,669,373) for the postemployment healthcare plan. The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the fiscal year ended February 28, 2018 were as follows:

Annual Required Contribution	\$ 143,554,856
Add interest on Net OPEB Obligation	24,287,249
Less adjustment to Annual Required Contribution	<u>(24,833,945)</u>
Annual OPEB Cost	143,008,160
Less Contributions made	<u>(50,158,281)</u>
Change in Net OPEB Obligation	92,849,879
Net OPEB Obligation, beginning of the year	<u>647,659,984</u>
Net OPEB Obligation, end of the year	<u><u>\$ 740,509,863</u></u>

Trend Information:

Fiscal Year Ended	Annual OPEB Cost	Employer Contribution	Percentage of Annual	
			OPEB Cost Contributed	Net Ending OPEB Obligation
2/29/2016	108,983,297	39,006,959	36%	562,956,581
2/28/2017	126,379,573	41,676,170	33%	647,659,984
2/28/2018	143,008,160	50,158,281	35%	740,509,863

The above tables include information for the 5 participating employers to the agent multiple-employer defined benefit postemployment healthcare plan that the County administers. Two of the employers, Emergency 911 and Community Supervision, are not considered departments or component units of the County. The net OPEB obligation for Emergency 911 and Community Supervision is \$1,376,415 and \$0 respectively for fiscal year 2017 and the net OPEB obligation for Emergency 911 and Community Supervision is \$1,660,856 and \$0 respectively at February 28, 2018. Flood Control's portion of the net OPEB obligation above is \$13,646,397 for fiscal year 2017 and \$15,172,995 at February 28, 2018.

Funded Status and Funding Progress. The funded status of the plan as of March 1, 2017 (most recent

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actuarial valuation) was as follows:

	<u>All Participants</u>	<u>Flood Control Portion</u>
Unfunded actuarial accrued liability (UAAL)	\$ 1,858,140,539	\$ 54,571,811
Funded ratio (actuarial value of plan assets/AAL)	0%	0%
Covered Payroll (active plan members)	\$ 1,094,075,708	\$ 19,362,179
UAAL as a percentage of covered payroll	170%	282%

The “All Participants” column in the above table includes UAAL of \$2,598,681 for Emergency 911 and UAAL of \$12,492,026 for Community Supervision.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. The actuarial assumptions used in calculating the County’s UAAL and ARC are elaborated later in this note. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revisions as actual results are compared with past expectations and new estimates are made about the future.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are made on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. In order to perform the valuation, it was necessary for the County and the actuary to make certain assumptions regarding such items as rates of employee turnover, retirement, and mortality, as well as economic assumptions regarding healthcare trend and interest rates.

In the March 1, 2017, actuarial valuation, a 3.75% discount rate was used. The medical trend rates of 5.6% for 2017 graded down to an ultimate rate of 5% by 2020 were used per the actuary’s best estimate of expected long-term plan experience. The economic assumptions used in this valuation implicitly assume a general inflation level of approximately 3.0%.

The actuarial cost method used in valuing the County’s liabilities was the Entry Age Actuarial Cost Method. Under this method, the actuarial present value of the projected benefits of each individual included in an actuarial valuation is allocated on a level basis over the earnings or service of the individual between entry age and assumed exit age(s). The portion of this actuarial present value allocated to a valuation year is called the normal cost. The portion of this actuarial present value not provided for at a valuation date by the actuarial present value of future normal costs is called the actuarial accrued liability.

Additional Disclosures

Texas Local Government Code, Chapter 175 requires counties to make available continued health benefits coverage under certain circumstances to retirees and their dependents beyond the end of an individual’s employment with the County (“Continuation Coverage”) by permitting covered employees to purchase continued health benefits coverage in retirement. Texas law does not require counties to fund all or any portion of such coverage.

Because the County is given the authority to pay OPEB for its retired employees, it may incur a debt obligation to pay for OPEB so long as the County follows the constitutional requirement that it have

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sufficient taxing authority available at the time such debt is incurred to provide for the payment of the debt and has in fact levied a tax for such purpose concurrently with the incurrence of the debt. Any debt incurred in contravention of this constitutional requirement is considered void and payment will not be due. Harris County has not incurred a legal debt obligation for OPEB and has not levied a tax for the same. The County funds the cost associated with OPEB on a current “pay as you go” basis for a single fiscal year through an annual appropriation authorized by Commissioners Court during the County’s annual budget adoption process.

GAAP requires governmental organizations to recognize an actuarially calculated accrued liability for OPEB, even though it may not have a legally enforceable obligation to pay OPEB benefits.

Information and amounts presented in the County’s Comprehensive Annual Financial Report relative to OPEB expense/expenditures, related liabilities (assets), note disclosures, and supplementary information are only intended to achieve compliance with the requirements of generally accepted accounting principles and does not constitute or imply that the County is legally obligated to provide OPEB benefits.

The schedule of funding progress, presented as Required Supplementary Information, following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

9. COMMITMENTS AND CONTINGENT LIABILITIES

LANDFILL POST-CLOSURE CARE COST

The District acquired land for a detention basin. When construction for the detention basin began several years ago, an unpermitted landfill was discovered. This landfill was capped per the requirements at the time. Currently, the District has no regulatory requirement to remediate this site. The District is conducting additional soil and groundwater sampling and once the sampling activities are completed any necessary actions will be identified. The costs for this landfill are included in the pollution remediation obligations.

POLLUTION REMEDIATION OBLIGATIONS

The District is subject to numerous Federal, State and Local environmental laws and regulations. GASB No. 49 established standards for the accounting and reporting of obligations incurred to address current or potential detrimental effects of existing pollution. The District recorded in the financial statements pollution remediation liabilities of \$359,809. This liability is partially attributable to land acquired by the District with known pollution which is expected to be remediated before the land can be used for its intended purpose. This portion of the liability was capitalized. The remainder of the liability was expensed. The liability was calculated based on historical expenditures and professional judgment. The liability is an estimate and is subject to revision because of price increases or reductions, changes in technology, changes in applicable laws or regulations, or other circumstances that could cause changes. Although some uncertainties associated with environmental assessment remain and certain costs are not quantifiable, management believes the current provision for such costs is adequate. There are no estimated recoveries reducing the liability as of February 28, 2018. Additional costs, if any, are not expected to have a material effect on the financial condition of the District.

LITIGATION

The District is involved in lawsuits and other claims in the ordinary course of operations. Although the outcome of such lawsuits and other claims is not presently determinable, the resolution of these matters is not expected to have a material effect on the financial condition of the District. There are some civil cases that have resulted in settlements, consent decrees, or are expected to have a financial impact on the District in subsequent fiscal years.

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CONSTRUCTION COMMITMENTS

The District has commitments under various contracts in connection with the construction of Flood Control facilities, buildings, and projects of \$86,739,229.

ENCUMBRANCES

The District uses encumbrances to control expenditure commitments for the year. Encumbrances represent commitments related to executor contracts not yet performed and purchase orders not yet filled. Commitments for such expenditure of monies are encumbered to reserve portion of applicable appropriations. Depending on the source(s) of funding, encumbrances are reported as part of restricted, committed or assigned fund balance on the governmental funds balance sheet. As of February 28, 2018, the encumbrance balances for the governmental funds are reported as follows:

	Restricted	Assigned	Total
General Fund	\$ -	\$ 12,057,908	\$ 12,057,908
Capital Projects	86,739,229	-	86,739,229
	<u>\$ 86,739,229</u>	<u>\$ 12,057,908</u>	<u>\$ 98,797,137</u>

10. RISK MANAGEMENT

The District's risk-of-loss exposures include exposure to liability and accidental loss of real and personal property as well as human resources. District operations involve a variety of high-risk activities including, but not limited to, construction and maintenance activities. The County's Office of Human Resources & Risk Management is responsible for identifying, evaluating, and managing the District's risk in order to reduce the exposure from liability and accidental loss of property and human resources. The District is treated as a County department by the County's Risk Management Office and is assessed premiums and charges similar to other County departments.

The District is covered by the Harris County workers' compensation program. The County is self-insured for workers' compensation medical, indemnity, and other related payments. Claims adjusting services are provided by a third-party administrative claims adjusting service. Interfund premiums on workers' compensation are determined by position class code, at actuarially determined rates.

The County has excess insurance coverage for employer's liability. During the last three fiscal years, no claims paid exceeded the insurance coverage for the County. Through the County, the District provides medical, dental, vision, and basic life and disability insurance to eligible employees and retirees. The District pays the full cost of health benefits for eligible employees and 50% of the cost of dependent premiums. Disability insurance will pay up to 50% of an employee's salary for two years with an employee option to extend the benefits period to age 65 and increase the percentage to 60%.

The District's group insurance premiums, as well as employee payroll deductions for premiums for dependents and optional coverage, are paid into the County's Health Insurance Management Fund, which in turn makes disbursements to contracted insurance providers based upon monthly enrollment and premium calculations.

Billings to the District for property insurance, professional liability insurance, and crime and fidelity policies are handled through the County's Risk Management Fund, as are payments to the insurance carriers. Claim payments made up to the deductible limit are expensed by the District when paid by the Risk Management Fund. Payments for the District's general, vehicle, and property damage liability claims, for which the County is self-insured, are made through the Risk Management Fund and billed to the District.

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11. FUND BALANCES

Fund balances are presented in the following categories: nonspendable, restricted, committed, assigned, and unassigned as described in Note 1. The following is a detail of fund balances for all the major and nonmajor governmental funds at February 28, 2018:

	Operations and Maintenance (General)	Debt Service	Capital Projects	Total
Fund Balances:				
Nonspendable:				
Prepays	\$ 485,794	\$ -	\$ 4,016,604	\$ 4,502,398
Total nonspendable	<u>485,794</u>	<u>-</u>	<u>4,016,604</u>	<u>4,502,398</u>
Restricted for:				
Debt service	5,924	4,265,731	-	4,271,655
Capital projects	-	-	188,877,708	188,877,708
Total restricted	<u>5,924</u>	<u>4,265,731</u>	<u>188,877,708</u>	<u>193,149,363</u>
Assigned to:				
Flood control maintenance	12,057,908	-	-	12,057,908
Imprest cash	600	-	-	600
Total assigned	<u>12,058,508</u>	<u>-</u>	<u>-</u>	<u>12,058,508</u>
Unassigned	<u>44,593,586</u>	<u>-</u>	<u>-</u>	<u>44,593,586</u>
Total fund balances	<u>\$ 57,143,812</u>	<u>\$ 4,265,731</u>	<u>\$ 192,894,312</u>	<u>\$ 254,303,855</u>

12. RECENT ACCOUNTING PRONOUNCEMENTS

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefit Plans Other than Pension Plans* ("GASB 75"), replaces the requirements of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. GASB 75 improves accounting and financial reporting for postemployment benefits other than pensions. GASB 75 will be implemented by the District in fiscal year 2019 and the impact has not yet been determined.

GASB Statement No. 83, *Certain Asset Retirement Obligations* ("GASB 83"), addresses accounting and financial reporting for certain asset retirement obligations (AROs). This statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. The Statement requires the measurement of an ARO to be based on the best estimate of the current value of outlays expected to be incurred; the current value of a government's AROs to be adjusted for the effects of general inflation or deflation at least annually; and the disclosure of information about the nature of a government's AROs, the methods and assumptions used for the estimates of the liabilities, and the estimated remaining useful life of the associated tangible capital assets. GASB 83 will be implemented by the District in fiscal year 2020 and the impact has not yet been determined.

GASB Statement No. 84, *Fiduciary Activities* ("GASB 84"), establishes criteria for identifying fiduciary

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activities of all state and local governments. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. This Statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. This Statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. GASB 84 will be implemented by the District in fiscal year 2020 and the impact has not yet been determined.

GASB Statement No. 85, *Omnibus 2017* (“GASB 85”), addresses practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). GASB 85 will be implemented by the District in fiscal year 2019 and the impact has not yet been determined.

GASB Statement No. 86, *Certain Debt Extinguishment Issues* (“GASB 86”); Statement No.7, *Advance Refundings Resulting in Defeasance of Debt*, requires that debt be considered defeased in substance when the debtor irrevocably places cash or other monetary assets acquired with refunding debt proceeds in a trust to be used solely for satisfying scheduled payments of both principal and interest of the defeased debt. GASB 86 will be implemented by the District in fiscal year 2019 and the impact has not yet been determined.

GASB Statement No. 87, *Leases* (“GASB 87”), This Statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. GASB 87 will be implemented by the District in fiscal year 2021 and the impact has not yet been determined.

GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements* (“GASB 88”), This Statement requires additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. For notes to financial statements related to debt, it also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt. GASB 88 will be implemented by the District in fiscal year 2020 and the impact has not yet been determined.

GASB Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period* (“GASB 89”), This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. This statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles. GASB 89 will be implemented by the District in fiscal year 2021 and the impact has not yet been determined.

REQUIRED SUPPLEMENTARY INFORMATION
(Unaudited)

**HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL - BUDGETARY BASIS
OPERATIONS AND MAINTENANCE (GENERAL) FUND
For The Year Ended February 28, 2018**

	OPERATIONS AND MAINTENANCE (GENERAL) FUND			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
REVENUES AND OTHER FINANCING SOURCES				
Beginning Cash and Investments:				
Flood Control General	\$ 61,559,801	\$ 61,559,801	\$ 67,090,522	\$ 5,530,721
Total Beginning Cash and Investments	61,559,801	61,559,801	67,090,522	5,530,721
Interest:				
Flood Control General	501,237	501,237	446,413	(54,824)
Contract Tax Bond 2017A - COI	-	-	91	91
Total Interest	501,237	501,237	446,504	(54,733)
Taxes:				
Flood Control General	109,875,775	109,875,775	113,213,872	3,338,097
Intergovernmental:				
Flood Control General	15,900	15,900	8,400	(7,500)
Miscellaneous:				
Flood Control General	323,012	323,012	465,691	142,679
Other - Lease Revenue:				
Flood Control General	215,000	215,000	113,211	(101,789)
Other-Gain on Sale				
Flood Control General	-	-	27,582	27,582
Other Transfers In:				
Flood Control General	-	-	2,330,367	2,330,367
Contract Tax Bond 2017A - COI	-	475,429	475,429	-
Total Other Transfers In	-	475,429	2,805,796	2,330,367
Total Revenue and Other Financing Sources	172,490,725	172,966,154	184,171,578	11,205,424
EXPENDITURES AND OTHER FINANCING USES				
Flood Control General	172,490,725	172,490,725	123,889,904	48,600,821
Contract Tax Bond 2017A - COI	-	475,429	469,596	5,833
Total Expenditures and Other Financing Uses	172,490,725	172,966,154	124,359,500	48,606,654
Net changes in Fund Balance	\$ -	\$ -	\$ 59,812,078	\$ 59,812,078

See notes to required supplementary information.

HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
February 28, 2018

RECONCILIATION OF ACCOUNTING BASIS

A reconciliation of revenues and expenditures on a cash basis (budgetary basis) compared to modified accrual basis (GAAP) for the general fund is as follows:

	General Fund
REVENUES AND OTHER FINANCING SOURCES	
Cash (budgetary) basis	\$ 184,171,578
Beginning Cash and Investments	(67,090,522)
Accrued in 2017, received in 2018	(3,043,706)
Accrued in 2018, to be received in 2019	<u>3,466,518</u>
Revenues and other financing sources on modified accrual (GAAP) basis	<u>117,503,868</u>
EXPENDITURES AND OTHER FINANCING USES	
Cash (budgetary) basis	124,359,500
Incurred during 2017, paid in 2018	(2,394,890)
Incurred during 2018, payable in 2019	<u>3,820,413</u>
Expenditures and other financing uses on modified accrual (GAAP) basis	<u>125,785,023</u>
Net changes in Fund Balance	<u><u>\$ (8,281,155)</u></u>

For further budgeting information, see Note 1.D. of the Notes to the Financial Statements.

**HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
OTHER POSTEMPLOYMENT BENEFITS
SCHEDULE OF FUNDING PROGRESS
February 28, 2018**

Fiscal Year	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a percentage of covered payroll ((b-a)/c)
2016	3/1/2015	-	1,311,021,556	1,311,021,556	0%	961,963,878	136.3%
2017	3/1/2015	-	1,332,343,309	1,332,343,309	0%	1,050,715,841	126.8%
2018	3/1/2017	-	1,858,140,539	1,858,140,539	0%	1,094,075,708	169.8%

The above table includes information for the 5 participating employers to the agent multiple-employer defined benefit postemployment healthcare plan that the County administers. Two of the employers, Emergency 911 and Community Supervision are not considered departments or component units of the County; the UAAL for these entities are \$2,598,681 and \$12,492,026 respectively.

Flood Control is a component unit of the County and included in the above table. The following table contains Flood Control specific information:

Fiscal Year	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a percentage of covered payroll ((b-a)/c)
2016	3/1/2015	-	43,989,295	43,989,295	0%	19,402,552	226.7%
2017	3/1/2015	-	44,475,914	44,475,914	0%	19,883,219	223.7%
2018	3/1/2017	-	54,571,811	54,571,811	0%	19,362,179	281.8%

HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
LAST THREE MEASUREMENT YEARS
(Amounts in thousands)

	Year Ended December 31		
	2015	2016	2017
TOTAL PENSION LIABILITY			
Service cost	\$ 131,567	\$ 149,334	\$ 146,841
Interest on total pension liability	411,525	437,989	468,982
Effect of plan changes	(28,883)	-	-
Effect of economic/demographic gains	(7,458)	(27,493)	(6,851)
Effect of assumption changes or inputs	51,149	-	10,614
Benefit payments/refunds of contributions	(220,100)	(238,220)	(263,941)
Net change in total pension liability	\$ 337,800	\$ 321,610	\$ 355,645
Total pension liability, beginning	5,113,052	5,450,852	5,772,462
Total pension liability, ending (a)	\$ 5,450,852	\$ 5,772,462	\$ 6,128,107
FIDUCIARY NET POSITION			
Employer contributions	\$ 132,346	\$ 136,391	\$ 142,896
Member contributions	66,878	68,371	71,870
Investment income net of investment expenses	(30,646)	349,499	733,526
Benefit payments/refunds of contributions	(220,100)	(238,220)	(263,941)
Administrative expenses	(3,419)	(3,799)	(3,798)
Other	363	(7,961)	(605)
Net change in fiduciary net position	(54,578)	304,281	679,948
Fiduciary net position, beginning	4,781,059	4,726,481	5,030,762
Fiduciary net position, ending (b)	\$ 4,726,481	\$ 5,030,762	\$ 5,710,710
Net pension liability, ending = (a) - (b)	\$ 724,371	\$ 741,700	\$ 417,397
Fiduciary net position as a % of total pension liability	86.71%	87.15%	93.19%
Pension covered-employee payroll	\$ 953,501	\$ 974,217	\$ 1,020,708
Net pension liability as a % of covered-employee payroll	75.97%	76.13%	40.89%
Flood Control's Portion:			
Allocated share	2.076%	2.040%	1.945%
Employer contribution	\$ 2,747,256	\$ 2,782,569	\$ 2,779,823
Net pension liability, ending	\$ 15,036,618	\$ 15,131,730	\$ 8,119,751

Note: The County implemented GASB No. 68 in fiscal year 2016. Information prior to fiscal year 2016 is not available, ten years of data will accumulate over time.

**HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM
SCHEDULE OF EMPLOYER CONTRIBUTIONS
LAST TEN FISCAL YEARS**

Year Ending February 28	Actuarially Determined Contribution (1)	Actual Employer Contribution (1)	Contribution Deficiency (Excess)	Pensionable Covered Payroll (2)	Actual Contribution as a % of Covered Payroll
2009	\$ 80,968,198	\$ 80,968,198	\$ -	\$ 839,919,068	9.6%
2010	85,977,877	85,977,877	-	882,729,740	9.7%
2011	96,038,173	96,038,173	-	849,143,883	11.3%
2012	77,988,234	77,988,234	-	794,141,978	9.8%
2013	83,215,181	83,215,181	-	779,898,383	10.7%
2014	92,818,576	98,731,288	(5,912,712)	840,350,352	11.7%
2015	106,802,688	110,837,562	(4,034,874)	871,490,916	12.7%
2016	132,345,738	128,702,142	3,643,596	925,999,776	13.9%
2017	132,006,399	137,799,357	(5,792,958)	984,281,203	14.0%
2018	140,449,509	143,768,463	(3,318,954)	1,021,330,992	14.1%

(1) TCDRS calculated actuarially determined contributions on a calendar year basis. GASB Statement No. 68 indicates the employer should report employer contribution amounts on a fiscal year basis.

(2) Payroll is calculated based on contributions as reported to TCDRS.

Flood Control is a component unit of the County and is included in the above table. The following table contains Flood Control specific information:

Year Ending February 28	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Pensionable Covered Payroll	Actual Contribution as a % of Covered Payroll
2015	2,277,899	2,344,491	(66,592)	18,443,909	12.7%
2016	2,747,256	2,674,488	72,768	19,242,445	13.9%
2017	2,782,569	2,795,179	(12,610)	19,965,571	14.0%
2018	2,779,823	2,778,820	1,003	19,741,368	14.1%

Additional years for the Flood Control District will be added as they become available.

Notes to Schedule

Valuation date: Actuarially determined contribution rates are calculated as of December 31, two years prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age
Amortization method	Level percentage of payroll, closed
Remaining amortization period	12.7 years (based on contribution rate calculated in 12/31/2017 valuation)
Asset valuation method	5-year smoothed market
Inflation	2.75%

**HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM
SCHEDULE OF EMPLOYER CONTRIBUTIONS
LAST TEN FISCAL YEARS**

Salary increases	Varies by age and service. 4.9% average over career including inflation.
Investment rate of return	8.00%, net of investment expenses, including inflation
Retirement age	Members who are eligible for service retirement are assumed to commence receiving benefit payments based on age. The average age at service retirement for recent retirees is 61.
Mortality	130% of the RP-2014 Healthy Annuitant Morality Table for males and 110% of the RP-2014 Healthy Annuitant Morality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014.
Changes in Assumptions and Methods Reflected in the Schedule of Employer Contributions*	2015: New inflation, mortality and other assumptions were reflected. 2017: New mortality assumptions were reflected.
Changes in Plan Provisions Reflected in the Schedule of Employer Contributions*	2015: Employer contributions reflect that the member contribution rate was increased was increased to 7%. 2016: No changes in plan provisions were reflected in the Schedule. 2017: New Annuity Purchase Rates were reflected for benefits earned after 2017.

*Only changes that affect the benefit amount and that are effective 2015 and later are shown in the Notes to Schedule.

**OTHER SUPPLEMENTARY INFORMATION
and
INDIVIDUAL FUND STATEMENTS**

HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
February 28, 2018

	Corps. of Engineers Escrow	Payroll Fund	Total Agency
ASSETS			
Cash and cash equivalents	\$ 25,860	\$ 6,631	\$ 32,491
Investments	-	19,092	19,092
Accrued interest receivable	-	26	26
Total assets	<u>\$ 25,860</u>	<u>\$ 25,749</u>	<u>\$ 51,609</u>
LIABILITIES			
Vouchers payable	\$ -	\$ 764	\$ 764
Held for others	25,860	24,985	50,845
Total liabilities	<u>\$ 25,860</u>	<u>\$ 25,749</u>	<u>\$ 51,609</u>

HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
For The Year Ended February 28, 2018

	Balance March 1, 2017	Additions	Deductions	Balance February 28, 2018
Corps. of Engineers Escrow				
ASSETS				
Cash and cash equivalents	\$ 25,793	\$ 67	\$ -	\$ 25,860
Total Assets	<u>\$ 25,793</u>	<u>\$ 67</u>	<u>\$ -</u>	<u>\$ 25,860</u>
LIABILITIES				
Held for others	\$ 25,793	\$ 67	\$ -	\$ 25,860
Total Liabilities	<u>\$ 25,793</u>	<u>\$ 67</u>	<u>\$ -</u>	<u>\$ 25,860</u>
Payroll Fund				
ASSETS				
Cash and cash equivalents	\$ 718	\$ 56,502,454	\$ 56,496,541	\$ 6,631
Investments	30,322	46,409	57,639	19,092
Accrued interest	37	59	70	26
Total Assets	<u>\$ 31,077</u>	<u>\$ 56,548,922</u>	<u>\$ 56,554,250</u>	<u>\$ 25,749</u>
LIABILITIES				
Vouchers payable	\$ 7	\$ 28,164	\$ 27,407	\$ 764
Accrued payroll and compensated absences	412	15,504,116	15,504,528	-
Held for others	30,658	27,880,772	27,886,445	24,985
Total Liabilities	<u>\$ 31,077</u>	<u>\$ 43,413,052</u>	<u>\$ 43,418,380</u>	<u>\$ 25,749</u>
Total Agency Funds				
ASSETS				
Cash and cash equivalents	\$ 26,511	\$ 56,502,521	\$ 56,496,541	\$ 32,491
Investments	30,322	46,409	57,639	19,092
Accrued interest	37	59	70	26
Total Assets	<u>\$ 56,870</u>	<u>\$ 56,548,989</u>	<u>\$ 56,554,250</u>	<u>\$ 51,609</u>
LIABILITIES				
Vouchers payable	\$ 7	\$ 28,164	\$ 27,407	\$ 764
Accrued payroll and compensated absences	412	15,504,116	15,504,528	-
Held for others	56,451	27,880,839	27,886,445	50,845
Total Liabilities	<u>\$ 56,870</u>	<u>\$ 43,413,119</u>	<u>\$ 43,418,380</u>	<u>\$ 51,609</u>

HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL - BUDGETARY BASIS
DEBT SERVICE FUND
For The Year Ended February 28, 2018

	DEBT SERVICE FUND			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
REVENUES AND OTHER FINANCING SOURCES				
Beginning Cash and Investments	\$ 4,800,899	\$ 4,800,899	\$ 4,015,509	\$ (785,390)
Revenues and Transfers In:				
Taxes	3,452,775	3,452,775	3,993,144	540,369
Interest	18,348	18,348	17,533	(815)
Miscellaneous	4,300	4,300	4,541	241
Other	51,042,626	443,981,227	443,273,352	(707,875)
Total Revenues and Transfers In	54,518,049	447,456,650	447,288,570	(168,080)
Total Available Resources	59,318,948	452,257,549	451,304,079	(953,470)
EXPENDITURES AND OTHER FINANCING USES				
Flood Control Contract Refunding 2006A	-	-	-	-
Flood Control Improvement Bonds 2007	-	-	-	-
Flood Control Contract Refunding 2010A	8,932,369	204,846,640	204,845,509	1,131
Flood Control Improvement Refunding Bond 2014	3,676,722	3,676,722	1,810,000	1,866,722
Flood Control Contract Tax Bond 2014A	2,913,058	2,913,058	2,911,250	1,808
Flood Control Contract Tax Bond 2014B	17,470,727	17,470,727	17,464,608	6,119
Flood Control Improvement Refunding Bond 2015A	4,554,034	4,554,034	2,110,050	2,443,984
Flood Control Contract Tax Bond 2015B	2,117,059	2,117,059	1,402,150	714,909
Flood Control Contract Tax Bond 2017A	-	197,024,330	197,021,078	3,252
Flood Control Contract Refunding 2008A	12,386,903	12,386,903	12,361,650	25,253
Flood Control Contract Refunding 2008C	7,268,076	7,268,076	7,264,819	3,257
Total Expenditures and Other Financing Uses	59,318,948	452,257,549	447,191,114	5,066,435
Net changes in Fund Balance	\$ -	\$ -	\$ 4,112,965	\$ 4,112,965

HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL - BUDGETARY BASIS
CAPITAL PROJECTS FUND
For The Year Ended February 28, 2018

	CAPITAL PROJECTS FUND			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
REVENUES AND OTHER FINANCING SOURCES				
Beginning Cash and Investments	\$ 278,418,391	\$ 298,005,519	\$ 229,447,887	\$ (68,557,632)
Revenues and Transfers In:				
Interest	-	1,622,470	1,956,170	333,700
Miscellaneous	-	2,693,450	7,698,166	5,004,716
Intergovernmental	-	3,954,008	3,963,393	9,385
Other Transfers In	-	64,000,000	60,000,420	(3,999,580)
Total Revenues and Transfers In	-	72,269,928	73,618,149	1,348,221
Total Available Resources	278,418,391	370,275,447	303,066,036	(67,209,411)
EXPENDITURES AND OTHER FINANCING USES				
Regional Flood Control Projects	8,299,968	8,654,555	5,724,152	2,930,403
Flood Control Capital Projects	260,908,843	288,369,423	91,011,909	197,357,514
FC Bonds 2004A-Construction	2,629,264	2,645,497	748,047	1,897,450
FC Improvement Bonds 2007	2,599,031	2,619,565	594,685	2,024,880
Commercial Paper - Flood Control	3,981,285	3,986,407	970,049	3,016,358
Commercial Paper 2017 - Flood Control	-	64,000,000	-	64,000,000
Total Expenditures and Other Financing Uses	278,418,391	370,275,447	99,048,842	271,226,605
Net changes in Fund Balance	\$ -	\$ -	\$ 204,017,194	\$ 204,017,194

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This part of Harris County Flood Control District's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the District's overall financial health.

Listed below are the areas covered in the statistical section:

FINANCIAL TRENDS – These schedules contain trend information to help the reader understand how the District's financial performance and well-being have changed over time.

REVENUE CAPACITY – These schedules contain information to help the reader assess the District's most significant local revenue source, the property tax.

DEBT CAPACITY – These schedules present information to help the reader assess the affordability of the District's current levels of outstanding debt and the District's ability to issue additional debt in the future.

DEMOGRAPHIC AND ECONOMIC INFORMATION – These schedules offer demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place.

OPERATING INFORMATION – These schedules contain service and infrastructure data to help the reader understand how the information in the District's financial report relates to the service the District provides and the activities it performs.

OTHER INFORMATION – These schedules contain information that although is not required is presented to help the reader obtain additional insights into District activities and finances.

Table 1

**HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS
(amounts in thousands)**

	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Governmental activities:										
Net investment in capital assets	\$ 1,530,479	\$ 1,534,527	\$ 1,573,175	\$ 1,616,240	\$ 1,610,798	\$ 1,653,516	\$ 1,708,074	\$ 1,771,401	\$ 1,870,607	\$ 1,926,900
Restricted for:										
Debt service	2,580	-	-	-	-	-	-	-	-	-
Capital projects	1,178	1,602	10,640	8,592	4,909	790	6,196	5,091	19,088	23,835
Unrestricted	83,768	88,261	87,114	100,203	109,232	106,564	75,157	48,241	29,374	16,800
Total governmental activities net position	<u>\$ 1,618,005</u>	<u>\$ 1,624,390</u>	<u>\$ 1,670,929</u>	<u>\$ 1,725,035</u>	<u>\$ 1,724,939</u>	<u>\$ 1,760,870</u>	<u>\$ 1,789,427</u>	<u>\$ 1,824,733</u>	<u>\$ 1,919,069</u>	<u>\$ 1,967,535</u>

HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS (accrual basis of accounting)
(amounts in thousands)

	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
EXPENSES										
Governmental activities:										
Flood Control	\$ 98,955	\$ 108,331	\$ 99,780	\$ 92,832	\$ 98,792	\$ 93,621	\$ 99,234	\$ 109,300	\$ 104,871	\$ 128,415
Tax Administration	664	699	650	647	610	631	518	559	596	646
Interest and Fiscal Charges	25,555	26,312	28,892	32,919	31,928	31,381	28,213	28,059	26,549	25,479
Total governmental activities expenses	<u>\$ 125,174</u>	<u>\$ 135,342</u>	<u>\$ 129,322</u>	<u>\$ 126,398</u>	<u>\$ 131,330</u>	<u>\$ 125,633</u>	<u>\$ 127,965</u>	<u>\$ 137,918</u>	<u>\$ 132,016</u>	<u>\$ 154,540</u>
PROGRAM REVENUES										
Governmental activities:										
Charges for services:										
Flood Control	\$ 551	\$ 314	\$ 751	\$ 451	\$ 724	\$ 392	\$ 541	\$ 6,228	\$ 687	\$ 5,226
Operating grants and contributions	24,251	25,751	31,033	37,064	36,978	36,983	37,181	50,440	50,061	50,288
Capital grants and contributions	39,983	29,528	66,334	62,201	17,663	39,393	23,413	19,960	49,106	27,146
Total governmental activities program revenues	<u>\$ 64,785</u>	<u>\$ 55,593</u>	<u>\$ 98,118</u>	<u>\$ 99,716</u>	<u>\$ 55,365</u>	<u>\$ 76,768</u>	<u>\$ 61,135</u>	<u>\$ 76,628</u>	<u>\$ 99,854</u>	<u>\$ 82,660</u>
NET (EXPENSE)/REVENUE										
Total governmental activities net expense	<u>\$ (60,389)</u>	<u>\$ (79,749)</u>	<u>\$ (31,204)</u>	<u>\$ (26,682)</u>	<u>\$ (75,965)</u>	<u>\$ (48,865)</u>	<u>\$ (66,830)</u>	<u>\$ (61,290)</u>	<u>\$ (32,162)</u>	<u>\$ (71,880)</u>
GENERAL REVENUES AND OTHER CHANGES IN NET POSITION										
Governmental activities:										
Taxes:										
Property taxes levied for general purposes	\$ 73,148	\$ 76,122	\$ 68,758	\$ 74,317	\$ 69,389	\$ 77,515	\$ 86,726	\$ 96,994	\$ 110,784	\$ 111,391
Property taxes levied for debt services	9,088	4,850	4,987	2,404	7,946	6,315	3,927	4,262	3,493	3,961
Earnings on investments	6,475	3,767	1,493	2,653	1,913	440	3,491	628	1,818	2,133
Miscellaneous	3,199	1,395	2,505	1,414	1,714	526	1,243	1,296	10,402	2,861
Gain on sale of capital assets	37	-	-	-	-	-	-	-	-	-
Total governmental activities	<u>91,947</u>	<u>86,134</u>	<u>77,743</u>	<u>80,788</u>	<u>80,962</u>	<u>84,796</u>	<u>95,387</u>	<u>103,180</u>	<u>126,497</u>	<u>120,346</u>
CHANGE IN NET POSITION										
Governmental activities	<u>\$ 31,558</u>	<u>\$ 6,385</u>	<u>\$ 46,539</u>	<u>\$ 54,106</u>	<u>\$ 4,997</u>	<u>\$ 35,931</u>	<u>\$ 28,557</u>	<u>\$ 41,890</u>	<u>\$ 94,335</u>	<u>\$ 48,466</u>

Table 3

**HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
FUND BALANCES, GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS (modified accrual basis of accounting)
(amounts in thousands)**

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General Fund:										
Reserved	\$ 25,708	\$ 27,443	\$ 25,718	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	67,646	68,467	78,344	-	-	-	-	-	-	-
Nonspendable	-	-	-	322	269	121	155	581	224	486
Restricted	-	-	-	99	99	99	99	105	99	6
Assigned	-	-	-	26,649	20,713	18,494	9,477	8,420	14,601	12,059
Unassigned	-	-	-	85,890	104,464	106,145	86,417	69,202	50,501	44,593
Total general fund	<u>\$ 93,354</u>	<u>\$ 95,910</u>	<u>\$ 104,062</u>	<u>\$ 112,960</u>	<u>\$ 125,545</u>	<u>\$ 124,859</u>	<u>\$ 96,148</u>	<u>\$ 78,308</u>	<u>\$ 65,425</u>	<u>\$ 57,144</u>
All Other Governmental Funds:										
Reserved	\$ 55,570	\$ 42,910	\$ 43,750	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:										
Capital project funds	104,562	86,219	141,210	-	-	-	-	-	-	-
Nonspendable	-	-	-	816	-	305	127	137	2,302	4,016
Restricted	-	-	-	181,723	133,216	154,133	198,484	200,699	221,656	193,144
Total all other governmental funds	<u>\$ 160,132</u>	<u>\$ 129,129</u>	<u>\$ 184,960</u>	<u>\$ 182,539</u>	<u>\$ 133,216</u>	<u>\$ 154,438</u>	<u>\$ 198,611</u>	<u>\$ 200,836</u>	<u>\$ 223,958</u>	<u>\$ 197,160</u>

Note: GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, replaced the categories that previously had been used to classify fund balance. The County implemented GASB No. 54 for fiscal year 2012.

Table 4

**HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS (modified accrual basis of accounting)
(amounts in thousands)**

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
REVENUES										
Taxes	\$ 82,908	\$ 80,486	\$ 76,642	\$ 74,764	\$ 77,740	\$ 84,916	\$ 91,070	\$ 100,923	\$ 113,790	\$ 117,711
Intergovernmental	55,714	45,786	60,631	85,746	49,822	75,684	55,831	66,098	90,938	78,301
Lease revenue	171	178	200	281	306	249	432	326	214	113
Earnings on investments	6,475	3,767	1,493	2,653	1,914	440	3,491	628	1,818	2,133
Miscellaneous	3,590	1,488	2,227	1,548	1,950	668	1,351	7,198	10,876	7,973
Total revenues	<u>148,858</u>	<u>131,705</u>	<u>141,193</u>	<u>164,992</u>	<u>131,732</u>	<u>161,957</u>	<u>152,175</u>	<u>175,173</u>	<u>217,636</u>	<u>206,231</u>
EXPENDITURES										
Flood Control	71,046	74,465	75,145	66,495	79,249	63,595	60,274	56,260	68,912	92,114
Tax Administration	664	699	650	647	609	631	518	559	597	646
Capital Outlay	77,386	69,533	52,720	45,592	43,413	37,207	32,584	80,592	84,177	94,483
Debt Service:										
Bond issuance fees	3,164	-	1,594	-	-	-	1,157	575	-	1,226
Interest and fiscal charges	25,847	30,190	28,900	35,815	34,030	33,493	30,662	29,900	28,385	28,300
Principal	12,554	11,573	10,269	10,109	11,455	11,805	13,025	24,835	25,385	25,955
	<u>190,661</u>	<u>186,460</u>	<u>169,278</u>	<u>158,658</u>	<u>168,756</u>	<u>146,731</u>	<u>138,220</u>	<u>192,721</u>	<u>207,456</u>	<u>242,724</u>
Excess of revenues over (under) expenditures	(41,803)	(54,755)	(28,085)	6,334	(37,024)	15,226	13,955	(17,548)	10,180	(36,493)
OTHER FINANCING SOURCES (USES)										
Transfer in	9,181	9,912	205,835	11,278	2,544	26,638	61,723	62,589	68,630	71,474
Transfer out	(9,181)	(9,912)	(205,835)	(11,278)	(2,544)	(26,638)	(61,723)	(62,589)	(68,630)	(71,474)
Bonds issued	-	-	-	-	-	-	-	-	-	168,100
Refunding bonds issued	451,465	-	181,885	-	-	-	170,355	77,020	-	-
Premium on bonds issued	19,332	-	19,723	-	-	-	19,475	11,930	-	28,924
Discount on bonds issued	(764)	-	-	-	-	-	-	-	-	-
Commercial paper issued	32,630	26,000	89,565	-	-	-	-	-	-	-
Payment to defease commercial paper	-	-	(200,000)	-	-	-	-	-	-	-
Payment to refunding bond escrow agent	(466,930)	-	-	-	-	-	(188,658)	(88,369)	-	(195,914)
Sale of capital assets	63	308	895	142	288	5,310	334	1,352	59	303
Total other financing sources (uses)	<u>35,796</u>	<u>26,308</u>	<u>92,068</u>	<u>142</u>	<u>288</u>	<u>5,310</u>	<u>1,506</u>	<u>1,933</u>	<u>59</u>	<u>1,413</u>
Net change in fund balances	<u>\$ (6,007)</u>	<u>\$ (28,447)</u>	<u>\$ 63,983</u>	<u>\$ 6,476</u>	<u>\$ (36,736)</u>	<u>\$ 20,536</u>	<u>\$ 15,461</u>	<u>\$ (15,615)</u>	<u>\$ 10,239</u>	<u>\$ (35,080)</u>
Debt service as a percentage of noncapital expenditures	33.9%	35.7%	33.6%	40.6%	36.3%	41.4%	41.4%	48.8%	43.6%	36.6%

Table 5

**HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
ASSESSED VALUE AND ACTUAL VALUE OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS
(Unaudited)
(amounts in thousands)**

Fiscal Year	Real Property	Personal Property	Less Exemptions (a)	Total Taxable Assessed Value	Total Direct Tax Rate
2009	321,147,405	43,010,048	89,424,111	274,733,342	0.03086
2010	325,453,516	45,496,068	94,414,243	276,535,341	0.02922
2011	315,200,613	43,537,642	93,805,049	264,933,206	0.02923
2012	321,629,707	43,346,546	96,453,218	268,523,035	0.02809
2013	334,997,328	47,104,735	101,809,361	280,292,702	0.02809
2014	358,644,209	51,681,663	104,868,732	305,457,140	0.02827
2015	395,193,725	54,596,861	110,245,889	339,544,697	0.02736
2016	425,362,576	74,247,450	120,048,579	379,561,447	0.02733
2017	465,759,857	71,320,820	125,836,117	411,244,560	0.02829
2018	486,029,940	67,420,210	125,837,228	427,612,922	0.02831

(a) The majority of exemptions are made up of the optional 20% homestead property exemption. In addition, persons 65 years of age or older or disabled receive an exemption up to a maximum individual amount of \$160,000.

The Flood Control District has an exemption for goods exported from Texas ("Freeport Exemption").

Source: Harris County Appraisal District.

Note: Property in the County must be revalued every three years. Property is assessed at market value; therefore, the taxable values are equal to market value less applicable exemptions. Tax rates are per \$100 of assessed value.

Table 6

**HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
AD VALOREM TAX RATES
LAST TEN FISCAL YEARS
(rate per \$100 of assessed value)
(Unaudited)**

Purpose	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Flood Control District -										
Maintenance	\$ 0.02754	\$ 0.02754	\$ 0.02727	\$ 0.02727	\$ 0.02522	\$ 0.02620	\$ 0.02620	\$ 0.02620	\$ 0.02745	\$ 0.02736
Debt Service	0.00332	0.00168	0.00196	0.00082	0.00287	0.00207	0.00116	0.00113	0.00084	0.00095
Total - Flood Control	\$ 0.03086	\$ 0.02922	\$ 0.02923	\$ 0.02809	\$ 0.02809	\$ 0.02827	\$ 0.02736	\$ 0.02733	\$ 0.02829	\$ 0.02831

Source: Harris County Auditor.

Table 7

HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
PROPERTY TAX RATES - ALL DIRECT AND OVERLAPPING GOVERNMENTS
LAST TEN FISCAL YEARS
(rates per \$100 of assessed value)
(Unaudited)

Purpose	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
County-Wide Taxing Jurisdiction:										
Harris County	\$ 0.3892	\$ 0.3922	\$ 0.3881	\$ 0.3912	\$ 0.4002	\$ 0.4146	\$ 0.4173	\$ 0.4192	\$ 0.4166	\$ 0.4180
Harris County Flood Control District	0.0309	0.0292	0.0292	0.0281	0.0281	0.0283	0.0274	0.0273	0.0283	0.0283
Port of Houston Authority	0.0177	0.0164	0.0205	0.0185	0.0195	0.0171	0.0153	0.0134	0.0133	0.0126
Harris County Hospital District	0.1922	0.1922	0.1922	0.1922	0.1822	0.1700	0.1700	0.1700	0.1718	0.1711
Total	<u>\$ 0.6300</u>	<u>\$ 0.6300</u>	<u>\$ 0.6300</u>	<u>\$ 0.6300</u>	<u>\$ 0.6300</u>	<u>\$ 0.6300</u>	<u>\$ 0.6300</u>	<u>\$ 0.6300</u>	<u>\$ 0.6300</u>	<u>\$ 0.6300</u>
Cities:										
Baytown	0.7870	0.7870	0.7870	0.8220	0.8220	0.8220	0.8220	0.8220	0.8220	0.8220
Bellaire	0.3775	0.3759	0.3999	0.3999	0.3999	0.3999	0.3936	0.3936	0.3805	0.3874
Deer Park	0.7050	0.7050	0.7050	0.7050	0.7200	0.7200	0.7200	0.7200	0.7200	0.7200
Houston	0.6438	0.6388	0.6388	0.6388	0.6388	0.6388	0.6311	0.6311	0.6011	0.5864
LaPorte	0.7100	0.7100	0.7100	0.7100	0.7100	0.7100	0.7100	0.7100	0.7100	0.7100
League City	0.6300	0.6300	0.6160	0.6160	0.5970	0.5970	0.5970	0.5735	0.5700	0.5650
Missouri City	0.5172	0.5284	0.5284	0.5284	0.5448	0.5738	0.5650	0.5447	0.5601	0.6000
Pasadena	0.5620	0.5620	0.5916	0.5916	0.5916	0.5916	0.5769	0.5754	0.5754	0.5754
Pearland	0.6526	0.6526	0.6651	0.6851	0.7051	0.7051	0.7121	0.7053	0.6812	0.6812
Seabrook	0.5884	0.5884	0.6268	0.6500	0.6652	0.6652	0.6400	0.6126	0.5652	0.5749
South Houston	0.6784	0.6732	0.6732	0.6732	0.7083	0.6699	0.6445	0.6995	0.6322	0.6433
Webster	0.2060	0.2325	0.2575	0.2853	0.2853	0.2696	0.2487	0.2345	0.2845	0.3173
West University Place	0.3590	0.3588	0.3741	0.3741	0.3741	0.3741	0.3618	0.3318	0.3168	0.3168
School Districts and Junior Colleges:										
Aldine	1.2920	1.3005	1.4305	1.3284	1.3284	1.3284	1.3059	1.2859	1.3234	1.3734
Alief	1.3400	1.3400	1.3400	1.3400	1.3200	1.2900	1.2800	1.2800	1.3050	1.3300
Clear Creek	1.3600	1.3600	1.2937	1.3600	1.3600	1.3600	1.4000	1.4000	1.4000	1.4000
Cypress-Fairbanks	1.3240	1.3500	1.4100	1.4300	1.4500	1.4500	1.4500	1.4400	1.4400	1.4400
Deer Park	1.3367	1.3667	1.3967	1.3967	1.5267	1.5567	1.5567	1.5567	1.5567	1.5567
Galena Park	1.4550	1.4784	1.5134	1.5134	1.5134	1.5134	1.5134	1.5134	1.5633	1.5633
Goose Creek	1.2821	1.2821	1.3021	1.3321	1.3321	1.3868	1.3868	1.4319	1.4319	1.4319
Houston	1.1567	1.1567	1.1567	1.1567	1.1567	1.1867	1.1967	1.1967	1.2067	1.2067
Humble	1.5200	1.5200	1.5200	1.5200	1.5200	1.5200	1.5200	1.5200	1.5200	1.5200
Katy	1.5266	1.5266	1.5266	1.5266	1.5266	1.5266	1.5266	1.5266	1.5166	1.5166
Klein	1.3100	1.3600	1.4100	1.4300	1.4400	1.4300	1.3900	1.4100	1.4300	1.4300
LaPorte	1.3250	1.3250	1.3250	1.3550	1.3300	1.3300	1.4500	1.4500	1.4200	1.3800
Lone Star College System*	0.1101	0.1101	0.1176	0.1210	0.1198	0.1160	0.1081	0.1079	0.1078	0.1078
Pasadena	1.3500	1.3500	1.3500	1.3500	1.3500	1.3500	1.3500	1.3500	1.3500	1.4800
Pearland	1.4194	1.4194	1.4194	1.4194	1.4194	1.4157	1.4157	1.4156	1.4156	1.4156
San Jacinto Junior College	0.1634	0.1708	0.1708	0.1763	0.1856	0.1856	0.1856	0.1758	0.1824	0.1833
Sheldon	1.4300	1.4300	1.4300	1.4300	1.4300	1.4300	1.4300	1.4100	1.4100	1.4170
Spring	1.4400	1.4600	1.4600	1.4600	1.5700	1.5700	1.5100	1.4700	1.4700	1.5100
Spring Branch	1.3825	1.3945	1.3945	1.3945	1.3945	1.3945	1.3945	1.3945	1.3945	1.3945
Tomball	1.3600	1.3600	1.3600	1.3600	1.3600	1.3600	1.3600	1.3400	1.3400	1.3400

* Name change in FY2009 from North Harris Montgomery Community College

Table 8

**HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
PRINCIPAL PROPERTY TAXPAYERS
CURRENT YEAR AND NINE YEARS AGO
(amounts in thousands)
(Unaudited)**

Taxpayers	2018			2009		
	2017 Taxable Valuations (a)	Rank	Percentage of Total 2017 Taxable Valuation (b)	2008 Taxable Valuations (a)	Rank	Percentage of Total 2008 Taxable Valuation (c)
Centerpoint Energy, Inc.	\$ 3,344,794	1	0.78%	\$ 2,500,761	3	0.91%
Exxon Mobil Corporation	3,266,867	2	0.76	4,034,161	1	1.47
Chevron Chemical Company	2,814,440	3	0.66	1,386,454	6	0.50
Shell Oil Company	1,625,656	4	0.38	2,715,519	2	0.99
Palmetto Transoceanic LLC	1,296,880	5	0.30	-		0.00
Equistar Chemicals LP	1,296,073	6	0.30	1,393,805	5	0.51
National Oilwell INC	987,145	7	0.23	-		0.00
Crescent HC and 4HC Investors LP	873,921	8	0.20	1,378,917	7	0.50
Walmart	869,096	9	0.20	721,534	12	0.26
One Two and Three Allen CTR Co LLC	857,457	10	0.20	-		0.00
Cousins POC & Greenway	715,139	11	0.17	-		0.00
Celanese LTD	715,012	12	0.17	-		0.00
HG Galleria I II III LP	679,041	13	0.16	-		0.00
Liberty Property	625,960	14	0.15	-		0.00
HEB Grocery	610,054	15	0.14	-		0.00
Houston Refining	-		0.00	1,555,086	4	0.57
Hines Interests Ltd Partnership	-		0.00	1,248,647	8	0.45
AT&T Mobility LLC	-		0.00	1,069,392	9	0.39
Lyondell Chemical Co.	-		0.00	881,106	10	0.32
Cullen Allen Holdings LP	-		0.00	740,183	11	0.27
Hewlett Packard Company	-		0.00	717,945	13	0.26
BP Amoco	-		0.00	666,938	14	0.24
Teachers Insurance	-		0.00	659,700	15	0.24
Total	\$ 20,577,535		4.81%	\$ 21,670,148		7.88%

Source: Harris County Appraisal District.

(a) Amounts shown for these taxpayers do not include taxable valuations, which may be substantial, attributable to certain subsidiaries and affiliates which are not grouped on the tax rolls with the taxpayers shown.

(b) Based on the District's total taxable value as of February 28, 2018

(c) Based on the District's total taxable value as of February 28, 2009.

Table 9

**HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
PROPERTY TAX LEVIES AND COLLECTIONS
FLOOD CONTROL DISTRICT**

**LAST TEN FISCAL YEARS
(Unaudited)
(amounts in thousands)**

Fiscal Year	Taxes		Adjusted Levy as of End of Current Fiscal Year	Collected within the		Collections in Subsequent Years*	Total Collections to Date					
	Levied			Fiscal Year of the Levy			Percentage					
	for the			Amount			of Levy					
	Fiscal Year						Amount	Percentage of Levy				
2009	\$	84,057	\$	83,761	\$	74,344	88.4%	\$	9,220	\$	83,564	99.8%
2010		80,534		79,557		74,798	92.9		4,568		79,366	99.8
2011		77,374		76,744		72,089	93.2		4,481		76,570	99.8
2012		75,400		74,779		71,159	94.4		3,446		74,605	99.8
2013		78,616		77,894		74,486	94.7		3,212		77,698	99.7
2014		86,158		85,011		82,041	95.2		2,757		84,798	99.7
2015		92,695		91,424		88,298	95.3		2,812		91,110	99.7
2016		103,462		102,415		98,187	94.9		3,729		101,916	99.5
2017		116,242		114,334		110,175	94.8		3,233		113,408	99.2
2018		120,935		120,935		114,368	94.6		-		114,368	94.6

* For reporting purposes refunds associated with a prior year are netted against the prior year collections.

Table 10

**HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
RATIO OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS
(Unaudited)
(amounts in thousands)**

Fiscal Year	Governmental Activities		Total Government	Less: Restricted for Debt Payments	Total Net General Bonded Debt	Percentage of Actual Taxable Value of Property (a)	Percentage of Personal Income (b)	Debt Per Capita (b)	Net Debt Per Capita (b)
	General Bonded Debt	Commercial Paper							
2009	\$ 553,794	\$ 84,435	\$ 638,229	\$ 2,580	\$ 635,649	0.23%	0.34%	\$ 160	\$ 160
2010	536,720	110,435	647,155	-	647,155	0.23%	0.33%	159	159
2011	723,784	-	723,784	-	723,784	0.27%	0.39%	177	177
2012	710,700	-	710,700	-	710,700	0.26%	0.35%	170	170
2013	697,367	-	697,367	-	697,367	0.25%	0.31%	164	164
2014	692,708	-	692,708	-	692,708	0.23%	0.30%	160	160
2015	692,599	-	692,599	-	692,599	0.20%	0.27%	156	156
2016	665,095	-	665,095	-	665,095	0.18%	0.27%	147	147
2017	635,444	-	635,444	-	635,444	0.15%	0.26%	138	138
2018	609,103	-	609,103	-	609,103	0.14%	n/a	131	131

Note: Details regarding the County's outstanding debt can be found in the notes to the financial statements.

(a) See Table 5 for property value data.

(b) See Table 13 for personal income and population data. These ratios are calculated using the personal income and population for the prior year calendar year.

Table 11

**HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
ESTIMATED DIRECT AND OVERLAPPING BONDED DEBT
February 28, 2018
(Unaudited)**

	Percentage Applicable To Name of Government	Net Debt (Thousands)
County-Wide Jurisdiction:		
Harris County (2/28/18)	100.00%	\$ 1,847,911
Harris County Flood Control District (2/28/18)	100.00	588,449
Port of Houston Authority (2/28/18)	100.00	638,829
Total County-Wide Direct Debt		3,075,189
Cities:		
Baytown (9/30/17)	94.61	\$ 114,934
Bellaire (9/30/17)	100.00	106,319
Deer Park (9/30/17)	100.00	33,057
Galena Park (9/30/17)	100.00	58,735
Houston (6/30/17)	99.28	3,151,643
Jersey Village (9/30/17)	100.00	22,005
La Porte (9/30/17)	100.00	17,272
Pasadena (9/30/17)	100.00	61,902
Pearland (9/30/17)	8.74	38,262
Piney Point Village (12/31/17)	100.00	10,185
Seabrook (9/30/17)	100.00	19,137
Tomball (10/31/17)	100.00	40,045
Webster (9/30/17)	100.00	11,095
West University Place (2/2/18)	100.00	38,051
Other Cities (a)	100.00	65,311
Sub-Total Cities		3,787,953
School Districts and Community Colleges:		
Aldine (6/30/17)	100.00	887,720
Alief (8/31/17)	100.00	253,332
Channelview (8/31/17)	100.00	180,537
Clear Creek (8/31/17)	68.65	801,517
Crosby (2/28/18)	100.00	138,055
Cypress-Fairbanks (6/30/17)	100.00	3,704,665
Deer Park (6/30/17)	100.00	204,777
Galena Park (8/31/17)	100.00	225,999
Goose Creek (6/30/17)	74.15	365,478
Houston Community College (3/31/18)	96.79	920,776
Houston (2/28/18)	100.00	2,759,104
Huffman (1/31/18)	100.00	70,487
Humble (6/30/17)	99.99	638,691
Katy (8/31/17)	59.35	1,042,861
Klein (8/31/17)	100.00	1,008,301
LaPorte (2/19/18)	99.99	465,709
Lee College (2/1/18)	74.38	32,991
Lone Star College System (8/31/17)	73.52	436,051
Pasadena (8/31/17)	100.00	703,308
San Jacinto College (2/28/18)	99.99	410,905
Sheldon (8/31/17)	100.00	385,564
Spring (6/30/17)	100.00	996,738
Spring Branch (6/30/17)	100.00	633,108
Tomball (8/31/17)	95.48	403,361
Waller (2/2/18)	53.13	101,871
Other Schools (b)	100.00	14,438
Sub-Total School Districts and Community Colleges		17,786,344
Utility Districts (c)	100.00	6,992,187
Total Overlapping Debt		28,566,484
Total Direct and Overlapping Debt (Estimated \$6,801 Per Capita) (d)		\$ 31,641,673

(a) Aggregate net debt of 15 cities, each of which had a net debt of less than \$10,000,000.

(b) Aggregate net debt of 3 schools, each of which had a net debt of less than \$25,000,000.

(c) Estimated aggregate net debt of several hundred utility districts. Source: Municipal Advisory Council.

(d) Census Bureau population estimated at **4,652,980**. Source: Bureau of the Census.

The net direct debt amounts above, except for that which related to Harris County and the Harris County Flood Control District, were, provided by each governmental unit. The percentage of debt applicable to the County was provided by MAC. Net Direct Debt is equal to the outstanding principal amount less sinking fund balances.

Overlapping governments are those that coincide, at least in part, with geographic boundaries of the County. This table estimates the portion of the outstanding debt of those overlapping governments that is borne by the property taxpayers of Harris County.

This process recognizes that, when considering the County's ability to issue and repay long-term debt, the entire burden borne by the taxpayers should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for the debt, of each overlapping government.

**HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
HARRIS COUNTY'S LEGAL DEBT MARGIN INFORMATION**

LAST TEN FISCAL YEARS

(Unaudited)

(amounts in thousands)

Legal Debt Margin Calculation for Fiscal Year 2018

Assessed Value of All Taxable Property	\$ 553,521,353
Assessed Value of Real Property	<u>\$ 486,039,747</u>
Debt Limit (25% of real property assessed value) (a)	121,509,937
Amount of Debt Applicable to Constitutional Debt Limit:	
Total Bonded Applicable Debt	1,022,765
Less: Debt Service Funds Cash	<u>(121,363)</u>
Total Net Debt Applicable to Limit	<u>901,402</u>
Legal Debt Margin, Bonds Issued Under Article III, Section 52 of the Texas Constitution	<u><u>\$ 120,608,535</u></u>

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Debt Limit	\$ 78,435,050	\$ 79,237,355	\$ 76,784,802	\$ 78,368,988	\$ 81,206,807	\$ 86,906,680	\$ 96,090,533	\$ 106,340,654	\$ 116,440,378	\$ 121,509,937
Total Net Debt Applicable to Limit	1,278,101	1,205,427	1,143,838	1,161,111	1,063,108	995,440	1,115,260	1,028,995	967,875	901,402
Legal Debt Margin	<u>\$ 77,156,949</u>	<u>\$ 78,031,928</u>	<u>\$ 75,640,964</u>	<u>\$ 77,207,877</u>	<u>\$ 80,143,699</u>	<u>\$ 85,911,240</u>	<u>\$ 94,975,273</u>	<u>\$ 105,311,659</u>	<u>\$ 115,472,503</u>	<u>\$ 120,608,535</u>
Total Net Debt Applicable to the Limit as a percentage of Debt Limit	1.63%	1.52%	1.49%	1.48%	1.31%	1.15%	1.16%	0.97%	0.83%	0.74%

(a) The County is authorized under Article III, Section 52 of the State Constitution to issue bonds payable from ad valorem taxes for the construction and maintenance of roads. There is no constitutional or statutory limit as to the rate on bonds issued pursuant to such constitutional provision. However, the amount of bonds which may be issued is limited to 25% of the assessed valuation of real property in the County.

Bonds Issued Under Article VIII, Section 9:

In addition to unlimited tax bonds, the County may issue statutorily authorized bonds payable from the proceeds of a limited ad valorem tax provided for in Article VIII, Section 9 of the State Constitution. Such constitutional provision provides that a county is limited to an ad valorem tax rate of \$0.80 per \$100 of assessed valuation for general fund, permanent improvement fund, road and bridge fund and jury fund purposes.

Certain of the County's bonds payable from such limited tax may be issued under the provisions of Chapter 1301, Subtitle D, Title 9, Vernon's Texas Civil Statutes. The principal amount of all bonds, which may be issued under the provisions of such Chapter, is limited in aggregate to 5% of the assessed valuation. The debt limit under Chapter 1301, Subtitle D, Title 9 is approximately \$27,676,068 compared to applicable bonds outstanding at February 28, 2018 of \$-0-.

Bonds Issued Under Article XVI, Section 59:

The Harris County Flood Control District issues bonds pursuant to Article XVI, Section 59 of the State Constitution. No limits are prescribed in such constitutional provision; however, Chapter 407, Acts of 50th Legislature of Texas, Regular Session 1947 provides for a tax limit of \$0.30 per \$100 of taxable valuation for operational and debt service funds. A tax of \$0.02831 per \$100 of taxable value, which includes \$0.00095 per \$100 of taxable value for debt service, was levied by the Flood Control District in tax year 2017.

Table 13

**HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
DEMOGRAPHIC AND ECONOMIC STATISTICS**

**LAST TEN CALENDAR YEARS
(Unaudited)**

Calendar Year	Population	Unemployment Rate	Personal Income (amounts in thousands)	Per Capita Personal Income
2008	3,984,349	5.5%	\$ 190,226,395	\$ 47,743
2009	4,070,989	8.1%	196,779,227	48,337
2010	4,092,459	8.3%	183,899,347	44,936
2011	4,178,574	7.2%	204,593,445	48,963
2012	4,253,700	6.0%	224,617,980	52,805
2013	4,336,853	5.5%	230,462,963	53,141
2014	4,441,370	4.0%	252,694,912	56,896
2015	4,538,028	4.6%	249,989,494	55,088
2016	4,589,928	5.3%	240,752,454	52,452
2017	4,652,980	5.0%	n/a	n/a

Sources: Population - Bureau of the Census
Unemployment Rate - Texas Workforce Commission
Personal Income - Bureau of Economic Analysis

Table 14

**HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
PRINCIPAL CORPORATE EMPLOYERS
CURRENT YEAR AND NINE YEARS AGO*
(amounts in thousands)
(Unaudited)**

Employer	2017			2008		
	Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
Walmart Stores Inc.	37,000	1	1.19%	17,260	2	0.65%
Memorial Hermann Health System	24,108	2	0.78%			
H-E-B	23,732	3	0.77%			
The University of Texas MD Anderson Cancer Center	21,086	4	0.68%			
McDonald's Corp	20,918	5	0.67%			
Houston Methodist	20,000	6	0.65%			
Kroger Company	16,000	7	0.52%			
United Airlines	14,941	8	0.48%			
Schlumberger	12,069	9	0.39%			
Shell Oil Company	11,507	10	0.37%			
Adminstaff Inc.				22,475	1	0.84%
Continental Airlines				15,522	3	0.58%
Exxon Mobil				15,340	4	0.58%
CenterPoint Energy (former Houston Industries)				8,568	5	0.32%
Baker Hughes Inc.				8,500	6	0.32%
National Oilwell Varco				7,400	7	0.28%
AT&T Inc. (former SBC/Southwestern Bell)				7,018	8	0.26%
Chevron/Texaco				7,011	9	0.26%
JP Morgan Chase (former Texas Commerce Bank)				5,900	10	0.22%
	<u>201,361</u>			<u>114,994</u>		

* Based on calendar year.

Source: <http://www.HereisHouston.com/houstons-largest-employers>

Note: Total County Employment for 2017 was an estimated 3,100,007 (based on prior year employment figures) and for 2008 was 2,664,000

Table 15

**HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
FULL-TIME EQUIVALENT COUNTY EMPLOYEES BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS
(Unaudited)**

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Administration of Justice	9,425	9,308	8,779	8,462	8,723	9,290	9,625	9,768	9,824	10,275
Parks	787	797	670	625	675	700	805	867	892	913
County Administration	3,339	3,161	3,032	2,901	2,957	3,021	3,166	3,280	3,406	3,460
Health and Human Services	1,796	1,718	1,467	1,385	1,326	1,334	1,369	1,432	1,450	1,488
Flood Control	354	374	335	308	290	300	291	287	293	290
Tax Administration	428	415	378	341	340	349	348	368	353	368
Roads and Bridges	856	914	597	561	536	550	448	451	563	568

Note: (1) As of February 28, 2018, it is estimated that approximately 3,362 of the County's employees were members of various labor organizations, some of which are unions affiliated with the AFL-CIO. The County does not maintain collective bargaining agreements with any unions.

(2) This schedule represents the number of County employees at the end of each fiscal year.

Table 16

**HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS
(Unaudited)**

<u>Function/Program</u>	<u>Fiscal Years</u>									
	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
<u>Flood Control</u>										
Sites by Acreage (Incl. Easements and Fee Simple Ownership)										
Basins	15,361	15,467	15,724	16,081	16,107	16,298	16,342	16,385	16,516	16,686
Buyouts	845	880	931	958	1,016	1,034	1,040	1,043	1,046	1,065
Channels	20,832	20,858	20,935	21,117	21,143	21,236	21,286	21,429	21,581	21,630

Source: The Budget Office and Various County Departments

Table 17

**HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
OPERATING INDICATORS BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS
(Unaudited)**

<u>Function/Program</u>	<u>Fiscal Years</u>									
	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
<u>Flood Control</u>										
Developer Plans Approved- Watershed Mgt.	1,578	1,713	1,833	1,831	2,051	2,078	2,431	2,250	2,122	1,852
Citizen Services Requests	2,573	2,476	2,479	1,738	1,393	1,847	1,385	1,376	1,692	1,933

Source: The Budget Office and Various County Departments

**HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
SERVICES AND RATES
For Fiscal Year Ended February 28, 2018
(Unaudited)**

1. Services Provided by the District:

- | | | |
|--|---|-------------------------------------|
| <input type="checkbox"/> Retail Water | <input type="checkbox"/> Wholesale Water | <input type="checkbox"/> Drainage |
| <input type="checkbox"/> Retail Wastewater | <input type="checkbox"/> Wholesale Wastewater | <input type="checkbox"/> Irrigation |
| <input type="checkbox"/> Parks/Recreation | <input type="checkbox"/> Fire Protection | <input type="checkbox"/> Security |
| <input type="checkbox"/> Solid Waste/Garbage | <input checked="" type="checkbox"/> Flood Control | <input type="checkbox"/> Roads |
| <input checked="" type="checkbox"/> Participates in joint venture, regional system and/or wastewater service (other than emergency Interconnect) | | |
| <input type="checkbox"/> Other (specify): _____ | | |

2. Retail Service Providers: None

3. Total Water Consumption (In Thousands) During The Fiscal Year:

Gallons pumped into system: N/A

Gallons billed to customers: N/A

4. Standby Fees: Does the District assess standby fees? Yes ☐ No ☒.

(Continued)

**HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
SERVICES AND RATES**

**For Fiscal Year Ended February 28, 2018
(Unaudited)**

5. Location of District:

County in which district is located: Harris County

Is the District located entirely within one county? Yes ☒ No ☐.

Is the District located within a city? Entirely ☐ Partly ☒ Not at all ☐.

Cities in which district is located: Houston & all other cities in Harris County

Is the District located within a city's extra territorial jurisdiction (ETJ)?

<u>City</u>	<u>Entirely</u>	<u>Partly</u>	<u>Not at all</u>
Baytown		X	
Bellaire		X	
Bunker Hill Village		X	
Deer Park		X	
El Lago		X	
Friendswood		X	
Galena Park		X	
Hedwig Village		X	
Houston		X	
Humble		X	
Jacinto City		X	
Jersey Village		X	
Katy		X	
LaPorte		X	
League City		X	
Mission Bend		X	
Missouri City		X	
Morgan's Point		X	
Nassau Bay		X	
Pasadena		X	
Pearland		X	
Seabrook		X	
Shore Acres		X	
South Houston		X	
Southside Place		X	
Spring Valley		X	
Stafford		X	
Taylor Lake Village		X	
Tomball		X	
Waller		X	
Webster		X	
West University Place		X	

Is the general membership of the Board appointed by an office outside the district?
☐ Yes ☐ No X

By whom?: Board, governed by Harris County Commissioners Court.

Table 19

**HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
GENERAL FUND EXPENDITURES
For The Year Ended February 28, 2018
(Unaudited)**

Personnel Expenditures (including benefits)	\$ 27,353,970
Professional Fees and Contractual Services	33,151,957
Utilities	448,398
Repairs and Maintenance	852,175
Capital Outlay	189,915
Other Expenditures	<u>3,788,608</u>
TOTAL EXPENDITURES	<u><u>\$ 65,785,023</u></u>

Number of persons employed by the District: 290

Table 20

HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
TAXES LEVIED AND RECEIVABLE
For The Year Ended February 28, 2018
(Unaudited)

	Maintenance and Operations Taxes	Debt Service Taxes		
Taxes receivable, beginning of year	\$ 7,986,768	\$ 604,935		
2017 Original Tax Levy (adjusted thru 2/28/18)	116,877,181	4,058,236		
Total to be accounted for	124,863,949	4,663,171		
Tax collections:				
Current year	(108,772,637)	(3,776,756)		
Prior years	(8,233,946)	(332,840)		
Total collections	(117,006,583)	(4,109,596)		
Taxes receivable, end of year	\$ 7,857,366	\$ 553,575		
Taxes receivable, by years				
2007 and prior	442,274	249,746		
2008	176,218	21,247		
2009	179,831	10,971		
2010	162,658	11,699		
2011	169,259	5,091		
2012	175,550	19,984		
2013	197,601	15,607		
2014	300,839	13,320		
2015	478,713	20,623		
2016	898,784	27,511		
2017	4,675,639	157,776		
Taxes receivable, end of year	\$ 7,857,366	\$ 553,575		
Tax year	2017	2016	2015	2014
Property valuations: (amounts in thousands)				
Real property	\$ 486,029,940	\$ 465,759,857	\$ 425,362,576	\$ 395,193,725
Personal property	67,420,210	71,320,820	74,247,450	54,596,861
Less exemptions	(125,837,228)	(125,836,117)	(120,048,579)	(110,245,889)
Total property valuations	\$ 427,612,922	\$ 411,244,560	\$ 379,561,447	\$ 339,544,697
Tax rates per \$100 valuation:				
Maintenance and Operations tax rates (a)	\$ 0.02736	\$ 0.02745	\$ 0.02620	\$ 0.02620
Debt Service tax rates	0.00095	0.00084	0.00113	0.00116
Total tax rates per \$100 valuation	\$ 0.02831	\$ 0.02829	\$ 0.02733	\$ 0.02736
Original tax levy (b)	\$ 121,057	\$ 116,341	\$ 103,734	\$ 92,899
Percent of taxes collected to taxes levied (c)	96.7%	96.2%	96.0%	95.3%

(a) Maximum tax rate approved by voters : \$0.15 on November 8, 1977.

(b) Calculated based on property valuations (see table 5) times tax rates.

(c) Calculated as taxes collected for a tax year divided by taxes levied for that tax year.

Note: This schedule is prepared on a cash basis and does not include accruals for subsequent collections.

Table 21

**HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
LONG-TERM DEBT SERVICE REQUIREMENTS - BY YEARS
For The Year Ended February 28, 2018**

Due During Fiscal Years Ending	Annual Requirements for All Series		
	Total Principal Due	Total Interest Due	Total Principal and Interest Due
2019	\$ 27,650,000	\$ 25,000,522	\$ 52,650,522
2020	28,025,000	25,057,220	53,082,220
2021	29,495,000	23,585,908	53,080,908
2022	30,980,000	22,104,058	53,084,058
2023	32,605,000	20,477,608	53,082,608
2024	34,235,000	18,847,358	53,082,358
2025	35,525,000	17,135,608	52,660,608
2026	37,220,000	15,743,500	52,963,500
2027	38,655,000	13,882,500	52,537,500
2028	39,530,000	11,949,750	51,479,750
2029	40,530,000	9,973,250	50,503,250
2030	39,555,000	7,946,750	47,501,750
2031	26,820,000	5,969,000	32,789,000
2032	10,370,000	4,966,800	15,336,800
2033	10,890,000	4,448,300	15,338,300
2034	11,435,000	3,903,800	15,338,800
2035	12,005,000	3,332,050	15,337,050
2036	12,605,000	2,731,800	15,336,800
2037	13,115,000	2,227,600	15,342,600
2038	13,640,000	1,703,000	15,343,000
2039	14,185,000	1,157,400	15,342,400
2040	14,750,000	590,000	15,340,000
	<u>\$ 553,820,000</u>	<u>\$ 242,733,782</u>	<u>\$ 796,553,782</u>

Table 22

**HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
CHANGES IN LONG-TERM DEBT
For The Year Ended February 28, 2018
(Unaudited)**

	Bond Issues									
	Series 2008A	Series 2008C	Series 2010A	Series 2014	Series 2014A	Series 2014B	Series 2015A	Series 2015B	Series 2017A	Total
Interest Rate	4.00 - 5.25	3.00 - 5.125	5.00	2.00-5.00	1.00-5.00	.25-3.211	3.00-5.00	3.00-5.00	4.00-5.00	
Dates Interest Payable	04/01;10/01	04/01;10/01	04/01;10/01	04/01;10/01	04/01;10/01	04/01;10/01	04/01;10/01	04/01;10/01	04/01;10/01	
Maturity Dates	10/1/2021	10/1/2024	10/1/2039	10/1/2026	10/1/2029	10/1/2024	10/1/2030	10/1/2030	10/1/2039	
Bonds Outstanding at March 1, 2017	\$ 98,945,000	\$ 100,145,000	\$ 178,605,000	\$ 36,200,000	\$ 58,225,000	\$ 41,140,000	\$ 46,875,000	\$ 30,145,000	\$ -	\$ 590,280,000
Bonds Sold During the Current Year: 2017-2018	-	-	-	-	-	-	-	-	168,100,000	168,100,000
Retirements During the Current Year: 2017-2018	7,185,000	2,265,000	178,605,000	-	-	16,505,000	-	-	-	204,560,000
Bonds Outstanding at February 28, 2018	<u>\$ 91,760,000</u>	<u>\$ 97,880,000</u>	<u>\$ -</u>	<u>\$ 36,200,000</u>	<u>\$ 58,225,000</u>	<u>\$ 24,635,000</u>	<u>\$ 46,875,000</u>	<u>\$ 30,145,000</u>	<u>\$ 168,100,000</u>	<u>\$ 553,820,000</u>
Interest Paid During the Current Year - 2017-2018	<u>\$ 5,176,650</u>	<u>\$ 4,999,819</u>	<u>\$ 8,930,250</u>	<u>\$ 1,810,000</u>	<u>\$ 2,911,250</u>	<u>\$ 959,609</u>	<u>\$ 2,110,050</u>	<u>\$ 1,402,150</u>	<u>\$ -</u>	<u>\$ 28,299,778</u>

Paying Agent's	Name	City
Series 2008A	The Bank of New York	New York, New York
Series 2008C	The Bank of New York	New York, New York
Series 2010A	The Bank of New York	New York, New York
Series 2014	The Bank of New York	New York, New York
Series 2014 A	The Bank of New York	New York, New York
Series 2014 B	The Bank of New York	New York, New York
Series 2015A	The Bank of New York	New York, New York
Series 2015B	The Bank of New York	New York, New York
Series 2017A	The Bank of New York	New York, New York

Bond Authorization:	Tax Bonds
Amount Authorized By Voters	\$ 314,000,000
Amount Issued	<u>250,000,000</u>
Remaining To Be Issued	<u>\$ 64,000,000</u>

Debt Service Fund Cash and Investments balances as of February 28, 2018: \$ 4,121,221.00

Average Annual Debt Service Payment (Principal & Interest) for remaining term of all debt: \$ 36,206,990.00

Table 23

HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
COMPARATIVE SCHEDULE OF REVENUE AND EXPENDITURES-GENERAL AND DEBT SERVICE FUNDS-FIVE YEARS ENDED
For The Year Ended February 28, 2018
(Unaudited)

	Amounts					Percent of Fund Total Revenues				
General Fund:	2018	2017	2016	2015	2014	2018	2017	2016	2015	2014
Revenues:										
Taxes	\$ 113,690,784	\$ 110,292,624	\$ 96,663,240	\$ 87,059,147	\$ 78,565,904	99.1%	99.0%	99.2%	96.7%	98.9%
Intergovernmental	8,400	28,584	25,977	328,005	60,000	0.0%	0.0%	0.0%	0.4%	0.1%
Lease Revenue	113,211	213,888	325,659	432,224	248,792	0.1%	0.2%	0.3%	0.5%	0.3%
Interest	386,927	405,737	-	1,477,940	65,291	0.3%	0.4%	0.0%	1.6%	0.1%
Miscellaneous	471,168	463,739	438,426	758,014	466,850	0.4%	0.4%	0.4%	0.8%	0.6%
Total Revenues	\$ 114,670,490	\$ 111,404,572	\$ 97,453,302	\$ 90,055,330	\$ 79,406,837	100.0%	100.0%	100.0%	100.0%	100.0%
Expenditures:										
Current Operating:										
Flood Control	\$ 64,354,476	\$ 62,779,175	\$ 54,097,209	\$ 55,448,443	\$ 54,149,124	56.1%	56.4%	55.5%	61.6%	68.2%
Tax Administration	646,185	596,468	559,211	518,346	631,147	0.6%	0.5%	0.6%	0.6%	0.8%
Capital Outlay	189,915	1,075,610	789,308	3,071,682	557,770	0.2%	1.0%	0.8%	3.4%	0.7%
Debt Service										
Bond issuance fees	594,447	-	251,657	532,641	-	0.5%	0.0%	0.3%	0.6%	0.0%
Total Expenditures	\$ 65,785,023	\$ 64,451,253	\$ 55,697,385	\$ 59,571,112	\$ 55,338,041	57.4%	57.9%	57.2%	66.2%	69.7%
Excess (Deficiency) of Revenues										
Over (Under) Expenditures	\$ 48,885,467	\$ 46,953,319	\$ 41,755,917	\$ 30,484,218	\$ 24,068,796	42.6%	42.1%	42.8%	33.8%	30.3%
Debt Service Fund:										
Revenues:										
Taxes	\$ 4,019,916	\$ 3,497,649	\$ 4,259,646	\$ 4,010,988	\$ 6,349,980	7.4%	6.5%	7.8%	9.8%	14.6%
Intergovernmental	50,297,000	50,018,000	50,430,000	36,889,101	36,982,800	92.6%	93.4%	92.2%	90.2%	85.3%
Interest	17,533	14,252	5,372	6,467	13,649	0.0%	0.0%	0.0%	0.0%	0.0%
Miscellaneous	4,843	4,852	7,736	11,488	6,881	0.0%	0.0%	0.0%	0.0%	0.0%
Total Revenues	\$ 54,339,292	\$ 53,534,753	\$ 54,702,754	\$ 40,918,044	\$ 43,353,310	100.0%	100.0%	100.0%	100.0%	100.0%
Expenditures:										
Debt Service										
Principal Retirement	\$ 25,955,000	\$ 25,385,000	\$ 24,835,000	\$ 13,025,000	\$ 11,805,000	47.8%	47.4%	45.4%	31.8%	27.2%
Bond issuance fees	631,377	-	323,483	624,664	-	1.2%	0.0%	0.6%	1.5%	0.0%
Interest and Fiscal Charges	28,299,777	28,385,332	29,900,076	30,661,617	33,492,912	52.1%	53.0%	54.7%	74.9%	77.3%
Total Expenditures	\$ 54,886,154	\$ 53,770,332	\$ 55,058,559	\$ 44,311,281	\$ 45,297,912	100.9%	100.3%	100.6%	108.2%	104.5%
Excess (Deficiency) of Revenues										
Over (Under) Expenditures	\$ (546,862)	\$ (235,579)	\$ (355,805)	\$ (3,393,237)	\$ (1,944,602)	-0.9%	-0.3%	-0.6%	-8.2%	-4.5%

Table 24

**HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
OPERATING FUNDS BUDGET FOR THE DISTRICT'S FISCAL YEAR 2018-2019
(Unaudited)**

On February 13, 2018 the Commissioners Court adopted the budget for the District for the Fiscal Year 2019. The following is a summary the Fiscal Year 2019 budget for the District's Current Operating Fund:

Cash Balance as of March 1, 2018	\$ 60,038,604
Estimated Revenues:	
Ad Valorem Taxes	113,041,711
Other	838,400
Total Cash and Estimated Revenues	<u>\$ 173,918,715</u>
Appropriations:	
Current Operating Expenses	\$ 172,053,144
Capital Outlay	1,865,571
Total Appropriations	<u>\$ 173,918,715</u>

Table 25

**HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
HISTORICAL TAX DEBT OUTSTANDING
(Unaudited)**

The following table sets forth the District's ad valorem tax debt outstanding, as of the end of the Fiscal years 2008-2009 through 2017-18.

Fiscal Year	District's Debt Outstanding (a) (thousands)	Taxable Value (b) (thousands)	Outstanding as a Percentage of Taxable Value	Estimated Population (c)	Debt Outstanding Per Capita
2009	\$ 108,981	\$ 274,733,342	0.04%	3,984,349	\$ 27
2010	105,483	276,535,341	0.04	4,070,989	26
2011	102,539	264,933,206	0.04	4,092,459	25
2012	100,020	268,523,035	0.04	4,178,574	24
2013	96,470	280,292,702	0.03	4,253,700	23
2014	92,935	305,457,140	0.03	4,336,853	21
2015	87,400	339,544,697	0.03	4,441,370	20
2016	83,075	379,561,447	0.02	4,538,028	18
2017	83,075	411,244,560	0.02	4,589,928	18
2018	83,075	427,612,922	0.02	4,652,980	18

(a) Includes debt paid for by the District's ad valorem tax revenues.

(b) Taxable values are net of exemptions and abatements. Property is assessed at 100% of appraised value.

(c) Source: Bureau of the Census.

Table 26

**HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
COUNTY ASSESSED VALUES AND TAX RATES
(EXCEPT FLOOD CONTROL DISTRICT)
LAST TEN FISCAL YEARS
(Unaudited)
(amounts in thousands)**

Fiscal Year	Real Property	Personal Property	Less Exemptions (a)	Total Taxable Assessed Value	M&O Tax Rate	Debt Service Tax Rate	Total County Tax Rate
2009	\$313,740,198	\$ 50,453,455	\$ 82,016,388	\$ 282,177,265	0.33815	0.05108	0.38923
2010	316,949,419	54,044,038	85,902,801	285,090,656	0.33401	0.05823	0.39224
2011	307,139,208	51,636,041	85,743,093	273,032,156	0.33401	0.05404	0.38805
2012	313,475,950	51,539,733	88,299,285	276,716,398	0.33444	0.05673	0.39117
2013	324,827,229	57,313,966	91,639,208	290,501,987	0.33271	0.06750	0.40021
2014	347,626,720	62,743,816	93,848,695	316,521,841	0.34547	0.06908	0.41455
2015	384,362,133	65,476,453	99,412,873	350,425,713	0.34547	0.07184	0.41731
2016	425,362,614	74,298,323	108,139,145	391,521,792	0.34547	0.07376	0.41923
2017	465,761,511	71,377,390	115,700,039	421,438,862	0.34500	0.07156	0.41656
2018	486,039,747	67,481,606	117,128,669	436,392,684	0.34500	0.07301	0.41801

(a) The majority of exemptions are made up of the optional 20% homestead property exemption. In addition, persons 65 years of age or older or disabled receive an exemption up to a maximum individual amount of \$160,000.

Source: Harris County Appraisal District.

Note: Property in the County must be revalued every three years. Property is assessed at market value; therefore, the taxable values are equal to market value less applicable exemptions. Tax rates are per \$100 of assessed value.

Table 27

**HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
COUNTY TAX LEVIES AND COLLECTIONS
(EXCEPT FLOOD CONTROL DISTRICT)
LAST TEN FISCAL YEARS
(Unaudited)
(amounts in thousands)**

Fiscal Year	Taxes Levied for the Fiscal Year	Adjusted Levy as of End of Current Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years*	Total Collections to Date	
			Amount	Percentage of Levy		Amount	Percentage of Levy
2009	\$ 1,089,141	\$ 1,085,327	\$ 981,807	90.1%	\$ 101,039	\$ 1,082,846	99.8%
2010	1,114,429	1,101,293	1,036,477	93.0	62,250	1,098,727	99.8
2011	1,058,623	1,050,102	987,684	93.3	60,101	1,047,785	99.8
2012	1,081,861	1,073,233	1,022,187	94.5	48,616	1,070,803	99.8
2013	1,160,905	1,150,790	1,100,588	94.8	47,408	1,147,996	99.8
2014	1,308,910	1,292,408	1,247,389	95.3	41,885	1,289,274	99.8
2015	1,459,066	1,439,450	1,390,628	95.3	44,026	1,434,654	99.7
2016	1,637,031	1,620,885	1,554,734	95.0	58,449	1,613,183	99.5
2017	1,754,007	1,725,577	1,663,289	94.8	48,591	1,711,880	99.2
2018	1,822,187	1,822,187	1,723,979	94.6	-	1,723,979	94.6

* For reporting purposes refunds associated with a prior year are netted against the prior year collections.

Table 28

**HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
COUNTY TAX DEBT OUTSTANDING
(Unaudited)**

	County's Total Outstanding Tax Debt (a)
Limited Tax Debt	\$ 991,259,361
Unlimited Tax Debt	746,670,000
Flood Control	470,745,000
Toll Road Tax Bonds	276,095,000
Total	<u>\$ 2,484,769,361</u>
Less: Toll Road Tax Bonds	<u>(276,095,000)</u>
Total (Approximately 0.40% of 2017 Assessed Value)	<u><u>\$ 2,208,674,361</u></u>

(a) Excluding Flood Control District debt of \$83,075,000 paid for by the District's ad valorem tax revenues. Amounts expressed at gross value, not considering unamortized premium or discount or accretion of capital appreciation bonds.

Table 29

**HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
COUNTY-WIDE AD VALOREM TAX DEBT SERVICE REQUIREMENTS
(Unaudited)
(amounts in thousands)**

Fiscal Year	Limited Tax Debt			Unlimited Tax Debt			Toll Road Unlimited Tax & Subordinate Lien Revenue Bonds			Flood Control (a)			Total County-Wide Tax Debt		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2019	\$ 78,861	\$ 53,109	\$ 131,970	\$ 51,405	\$ 36,680	88,085	\$ 27,445	\$ 13,742	\$ 41,187	\$ 27,650	\$ 25,000	\$ 52,650	\$ 185,361	\$ 128,531	\$ 313,892
2020	76,371	51,361	127,732	47,250	34,441	81,691	28,345	12,278	40,623	28,025	25,057	53,082	179,991	123,137	303,128
2021	84,960	39,278	124,238	52,395	32,084	84,479	29,285	10,765	40,050	29,495	23,586	53,081	196,135	105,713	301,848
2022	92,995	35,315	128,310	35,595	29,511	65,106	19,445	9,486	28,931	30,980	22,104	53,084	179,015	96,416	275,431
2023	71,720	30,871	102,591	65,315	27,757	93,072	20,240	8,449	28,689	32,605	20,478	53,083	189,880	87,555	277,435
2024	55,966	39,201	95,167	67,255	24,593	91,848	20,700	7,385	28,085	34,235	18,847	53,082	178,156	90,026	268,182
2025	82,472	37,208	119,680	59,120	21,296	80,416	21,165	6,297	27,462	35,525	17,136	52,661	198,282	81,937	280,219
2026	47,564	33,608	81,172	49,800	18,391	68,191	12,070	5,430	17,500	37,220	15,743	52,963	146,654	73,172	219,826
2027	59,280	19,100	78,380	50,135	15,901	66,036	12,090	4,796	16,886	38,655	13,883	52,538	160,160	53,680	213,840
2028	60,480	16,113	76,593	50,490	13,394	63,884	12,115	4,161	16,276	39,530	11,950	51,480	162,615	45,618	208,233
2029	41,315	27,540	68,855	50,985	10,870	61,855	12,135	3,524	15,659	40,530	9,973	50,503	144,965	51,907	196,872
2030	32,070	11,246	43,316	41,080	8,320	49,400	12,160	2,886	15,046	39,555	7,947	47,502	124,865	30,399	155,264
2031	33,500	9,618	43,118	38,915	6,267	45,182	12,185	2,247	14,432	26,820	5,969	32,789	111,420	24,101	135,521
2032	34,995	7,953	42,948	39,480	4,317	43,797	12,210	1,607	13,817	10,370	4,967	15,337	97,055	18,844	115,899
2033	32,285	6,203	38,488	15,050	2,373	17,423	12,240	965	13,205	10,890	4,448	15,338	70,465	13,989	84,454
2034	11,005	5,134	16,139	15,805	1,620	17,425	12,265	322	12,587	11,435	3,904	15,339	50,510	10,980	61,490
2035	11,555	4,584	16,139	16,595	830	17,425	-	-	-	12,005	3,332	15,337	40,155	8,746	48,901
2036	12,130	4,006	16,136	-	-	-	-	-	-	12,605	2,732	15,337	24,735	6,738	31,473
2037	10,880	3,400	14,280	-	-	-	-	-	-	13,115	2,228	15,343	23,995	5,628	29,623
2038	11,420	2,856	14,276	-	-	-	-	-	-	13,640	1,703	15,343	25,060	4,559	29,619
2039	12,000	2,285	14,285	-	-	-	-	-	-	14,185	1,157	15,342	26,185	3,442	29,627
2040	12,600	1,685	14,285	-	-	-	-	-	-	14,750	590	15,340	27,350	2,275	29,625
2041	13,190	1,089	14,279	-	-	-	-	-	-	-	-	-	13,190	1,089	14,279
2042	3,730	466	4,196	-	-	-	-	-	-	-	-	-	3,730	466	4,196
2043	3,880	317	4,197	-	-	-	-	-	-	-	-	-	3,880	317	4,197
2044	4,035	161	4,196	-	-	-	-	-	-	-	-	-	4,035	161	4,196
Total	\$ 991,259	\$ 443,707	\$ 1,434,966	\$ 746,670	\$ 288,645	\$ 1,035,315	\$ 276,095	\$ 94,340	\$ 370,435	\$ 553,820	\$ 242,734	\$ 796,554	\$ 2,567,844	\$ 1,069,426	\$ 3,637,270

(a) Includes Flood Control District debt paid for by the District's ad valorem tax revenues and debt paid for by the County's ad valorem tax revenues as a result of refunded commercial paper.

Table 30

**HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
COUNTY-WIDE AUTHORIZED BUT UNISSUED BONDS
(Unaudited)
(Amounts in Thousands)**

As of February 28, 2018, the following County-wide ad valorem tax bonds authorized by the voters at elections held in September 1983, November 1999, November 2001, November 2007, November 2013, and November 2015 remain unissued.

The Schedule reflects the County's use of voted authority when it issues general obligation commercial paper notes pursuant to its Series B (parks and libraries) and Series C (roads and bridges) programs.

County Ad Valorem Tax Bonds

Limited Tax:		
Civil Justice Center	\$ 33,000	
Parks	75,400	
Forensic Lab	5,706	
Family Law Center	70,000	
Animal Shelter	22,714	
Total Limited Tax Bonds		\$ 206,820
Unlimited Tax:		
Road Bonds	751,130	
Total Unlimited Tax Bonds		751,130
Combination Unlimited Tax and Revenue:		
Toll Roads	15,148	
Total Unlimited Tax and Revenue Bonds		15,148
Harris County Flood Control District Limited Tax Bonds		64,000
Total Harris County Ad Valorem Tax Bonds		<u>1,037,098</u>
Total Authorized but Unissued Bonds		<u>\$ 1,037,098</u>

Table 31

**HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
OPERATING FUNDS BUDGET FOR THE COUNTY'S FISCAL YEAR 2018-2019
(Unaudited)**

On February 13, 2018 the Commissioners Court adopted the budget for the County for the Fiscal Year 2018-2019. The Fiscal Year 2019 budget included appropriations for some capital projects, which are financed from current revenues. The following is a summary of the Fiscal Year 2018-2019 budget for the County's Current Operating Fund:

Cash Balance as of March 1, 2018	\$ 980,474,062
Estimated Revenues:	
Ad Valorem and Miscellaneous Taxes	1,446,806,533
Charges for Services	245,364,752
Fines and Forfeitures	18,162,283
Intergovernmental Revenues	48,263,214
Interest	6,016,590
Other	48,668,160
Total Cash and Estimated Revenues	<u>\$ 2,793,755,594</u>
Appropriations:	
Current Operating Expenses	\$ 2,772,789,596
Capital Outlay:	
Roads	8,192,089
Parks	10,550,300
Office/Courts	2,223,609
Total Appropriations	<u>\$ 2,793,755,594</u>

Table 32

**HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
COUNTY CAPITAL PROJECTS FUNDS BUDGETING
(Unaudited)**

County Capital Projects Funds are used in projects including construction of roads, office and court buildings, jails, juvenile home facilities, parks and libraries. Cash and investments on hand in the Capital Projects Funds at February 28, 2018 derived from the sale of bonds and other sources and the investment income (except investment income may be used for debt service) thereon, are designated to be spent over a period of several years for the following purposes:

Roads	\$ 156,041,142
Permanent Improvements	95,092,517
Reliant Park	12,026,873
Flood Control	204,540,471
Total	<u>\$ 467,701,003</u>



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Independent Auditors' Report on Compliance for Major Federal Programs; Report on Internal Control over Compliance

County Judge Ed Emmett and
Members of Commissioners
Court of Harris County, Texas:

Report on Compliance for Each Major Federal Program

We have audited Harris County Flood Control District's (the "District") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended February 28, 2018. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended February 28, 2018.

Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Deloitte's Touche LLP

August 22, 2018

Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

County Judge Ed Emmett
and Members of Commissioners Court of Harris County, Texas:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Harris County Flood Control District (the "District"), a component unit of Harris County, Texas, as of and for the year ended February 28, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated August 22, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

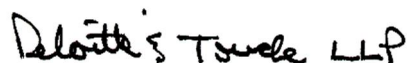
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 18-01 that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Deloitte Touche LLP

August 22, 2018

HARRIS COUNTY FLOOD CONTROL DISTRICT, TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED FEBRUARY 28, 2018

Fund No.	Federal Grantor / Pass-Through Agency Grantor / Program	CFDA Number	Grantor or Pass-through Grantor's Number	Federal Expenditures	Amount Provided to Subrecipients
<u>FEDERAL GRANTS</u>					
<u>U.S. DEPARTMENT OF AGRICULTURE</u>					
DIRECT PROGRAMS:					
7111	NRCS - Emergency Watershed Protection Grant	10.923	68-7442-16-210	\$ 1,289,365	\$ -
	TOTAL U.S. DEPARTMENT OF AGRICULTURE			<u>1,289,365</u>	<u>-</u>
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>					
PASS THROUGH PROGRAMS, CITY OF HOUSTON					
7625	CDBG -DR2015 Buyout Partnership	14.218	4600014524	37,000	-
	Total CDBG - Entitlement Grants Cluster (14.218)			<u>37,000</u>	<u>-</u>
	TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			<u>37,000</u>	<u>-</u>
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>					
DIRECT PROGRAMS:					
7589	Cooperating Technical Partners	97.045	EMW-2015-CA-00059-S01	33,883	-
7589	Cooperating Technical Partners	97.045	EMW-2015-CA-00061-S01	30,267	-
7589	Cooperating Technical Partners	97.045	EMW-2016-CA-00040	87,244	-
7589	Cooperating Technical Partners	97.045	EMW-2017-CA-00002	9,282	-
7589	Cooperating Technical Partners	97.045	EMT-2016-CA-00017	222,876	-
7589	Cooperating Technical Partners	97.045	EMT-2017-CA-00008	31,005	-
7589	Cooperating Technical Partners	97.045	EMT-2017-CA-00007	24,342	-
PASS THROUGH PROGRAMS, TEXAS DEPARTMENT OF PUBLIC SAFETY/TDEM:					
7264	Flood of April 2016	97.036	PA-06-TX-4269	1,699,268	-
7634	FEMA - Public Assistance - Hurricane Harvey	97.036	PA-06-TX-4332	2,221,006	-
7059	FEMA - Hazard Mitigation Grant Project	97.039	FEMA-1791-DR-007	13	-
7119	FEMA - Hazard Mitigation Grant Project	97.039	FEMA-DR-4223-065	557,045	-
7984	FEMA - Hazard Mitigation Grant Project	97.039	FEMA-DR-1791-067	312	-
7984	FEMA - Hazard Mitigation Grant Project	97.039	FEMA-DR-1791-067	14,319,915	-
PASS THROUGH PROGRAMS, TEXAS WATER DEVELOPMENT BOARD:					
7297	FEMA - Flood Mitigation Assistance Project Grant	97.029	1600012121	1,048,251	-
	TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY			<u>20,284,709</u>	<u>-</u>
<u>U.S. DEPARTMENT OF DEFENSE</u>					
PASS THROUGH PROGRAMS, ARMY CORPS OF ENGINEERS:					
3310	Brays Bayou Federal Project	12.UNKNOWN	NONE	3,286,296	-
	TOTAL U.S. DEPARTMENT OF DEFENSE			<u>3,286,296</u>	<u>-</u>
	TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 24,897,370</u>	<u>\$ -</u>
<u>STATE GRANTS</u>					
<u>TEXAS WATER DEVELOPMENT BOARD</u>					
DIRECT PROGRAMS:					
7302	Flood Protection Planning Grant	N/A	1600012044	122,106	\$ -
	TOTAL TEXAS WATER DEVELOPMENT BOARD			<u>122,106</u>	<u>-</u>
<u>TEXAS DEPARTMENT OF PUBLIC SAFETY/TDEM</u>					
DIRECT PROGRAMS:					
7634	Hurricane Harvey - State Assistance	N/A	TCEQ-4332-PW00057	246,778	\$ -
	TOTAL TEXAS DEPARTMENT OF PUBLIC SAFETY/TDEM			<u>246,778</u>	<u>-</u>
	TOTAL EXPENDITURES OF STATE AWARDS			<u>\$ 368,884</u>	<u>\$ -</u>
	TOTAL EXPENDITURES OF FEDERAL AND STATE AWARDS			<u>\$ 25,266,254</u>	<u>\$ -</u>

See notes to the schedule of expenditures of federal and state awards.

**HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED FEBRUARY 28, 2018**

1. The accompanying schedule of expenditures of federal and state awards includes the federal grant activity and state grant activity of the District and is presented on the modified cash basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (2.CFR.200); as applicable. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.
2. Reconciliation of the Schedule of Expenditures of Federal and State Awards to Grants Special Revenue Fund of the District's Financial Report for the year ended February 28, 2018:

Federal expenditures per schedule	\$ 24,897,370
State expenditures per schedule	368,884
Subtotal	<u>25,266,254</u>
Add:	
County funded portion of grants	9,197,992
Less:	
Trial balance adjustments for modified accrual basis of accounting	(1,835,493)
Grants - Brays Bayou expenditures	<u>(3,286,296)</u>
Total	<u>\$ 29,342,457</u>
Balance per financial report - Grants Special Revenue Fund	<u>\$ 29,342,457</u>

3. Indirect Cost Rate – The County did not elect to use the 10 percent de minimis indirect cost rate as covered in 2.CFR.200.414. Uniform Guidance 200.510(6) requires the County to disclose whether or not it elected to use the 10 percent de minimis cost rate that 200.414(f) allows for nonfederal entities that have never received a negotiated indirect cost rate.

**HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED FEBRUARY 28, 2018**

I. SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued:	Unmodified.
Internal control over financial reporting:	
Material weakness (es) identified?	No.
Significant deficiency (ies) identified not considered to be a material weakness?	Yes.
Noncompliance material to financial statements noted?	No.

Federal Awards

Internal control over major programs:	
Material weakness (es) identified?	No.
Significant deficiency (ies) identified not considered to be a material weakness?	None reported.
Type of auditors' report issued on compliance for major programs:	Unmodified.
Any audit findings disclosed that are required to be reported in accordance with OMB Uniform Guidance §200.516(a)?	No.
Identification of major programs:	
NRCS – Emergency Watershed Protection Grant	10.923
FEMA – Public Assistance-Hurricane Harvey	97.036
FEMA – Hazard Mitigation Grant Project	97.039
Dollar threshold used to distinguish between Type A and Type B programs:	\$750,000
Auditee qualified as a low-risk auditee?	Yes.

**HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED FEBRUARY 28, 2018**

II. FINANCIAL STATEMENT FINDINGS SECTION

Program	Finding/Noncompliance	Questioned Cost
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2018-01 - Significant Deficiency in Internal Control over the ACT application System	\$0
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Condition: The ACT application used by the Harris County Tax Office is supported by a third party; Appraisal & Collection Technologies, LLC. Harris County relies on the service auditor's report for controls around ACT. The service auditor's opinion over ACT for the period July 1, 2017 to December 31, 2017 included a qualification. The qualification was due to the inappropriate access four individuals had to both development and production environments not being removed. Additionally, there were no controls in place to monitor the migration of changes to detect whether inappropriate changes were made to production.

Criteria: Access to implement changes into the application production environment is appropriately restricted and segregated from the development environment.

Asserted Effect: Individuals had the ability and access to make inappropriate changes to the ACT application.

Cause: The County has failed to appropriately restrict and segregate access to implement changes into the production environment of the ACT application.

Recommendation: Implement a compensating control to detect all changes made to the production environment. The log of changes made is reviewed on a frequent basis.

Corrective Action Plan of Management: For each occurrence of overlapping ACT personnel being both Developer and Migrator, a secondary review and signoff must be performed by ACT authorized personnel to validate that the code migrated to the HCTO HPROD environment was the code tested and approved by HCTO.

- Validation should occur within 2 business days of code migration
- A record of this validation must be maintained by ACT and presented to HCTO designated personnel.
- HCTO will review and maintain a log of each ACT validation.

On a periodic basis, not to exceed 3 months, ACT will provide Harris County Tax Office management a report from the PRC

**HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED FEBRUARY 28, 2018**

Program	Finding/Noncompliance	Questioned Cost
	<p>system that identifies all migrations to HPROD during the specified period. This report will reflect the files migrated, the developer, migrator and date/time of migration. Reviews must be completed and presented to HCTO personnel within 2 weeks of the period cut-off.</p> <p><u>Estimated Completion Date:</u> Immediately for each occurrence of overlapping, and quarterly starting September 2018 for the periodic review.</p> <p><u>County Contact Person:</u> Bruce Tatro, Tax Office</p>	

III. FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS SECTION

None noted.

IV. STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

None noted.